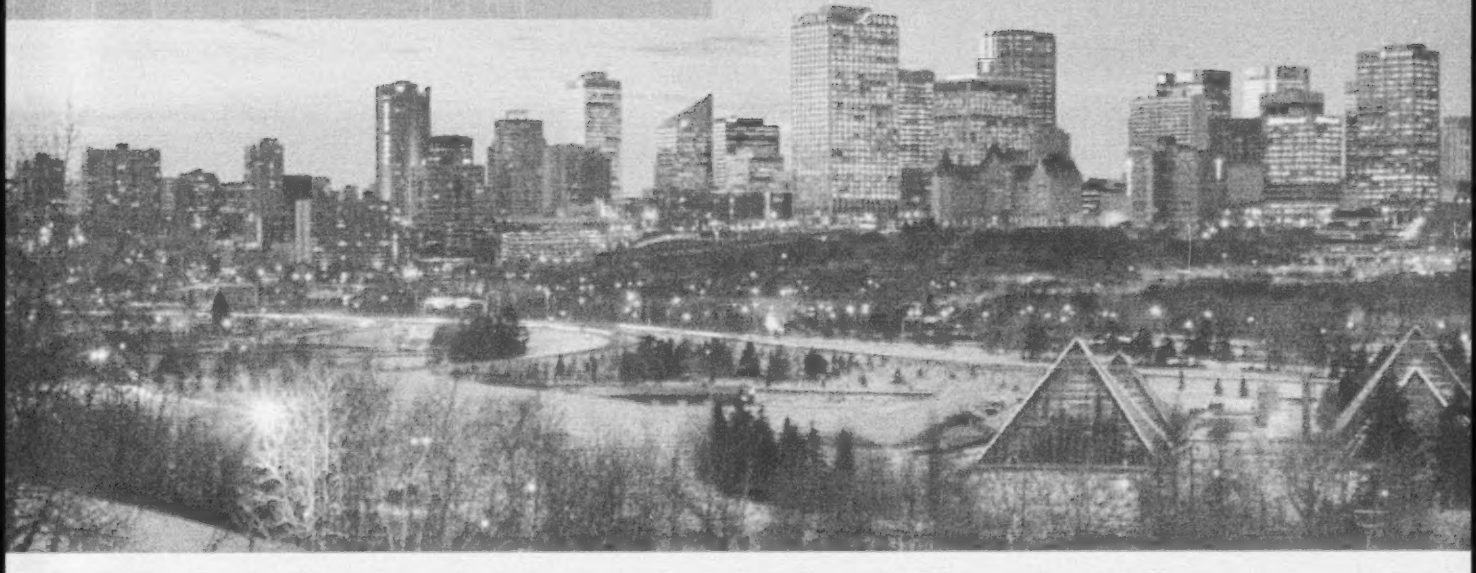
EDMONTON

2011

Annual Report

City of Edmonton
Alberta, Canada



For the year ended December 31, 2011

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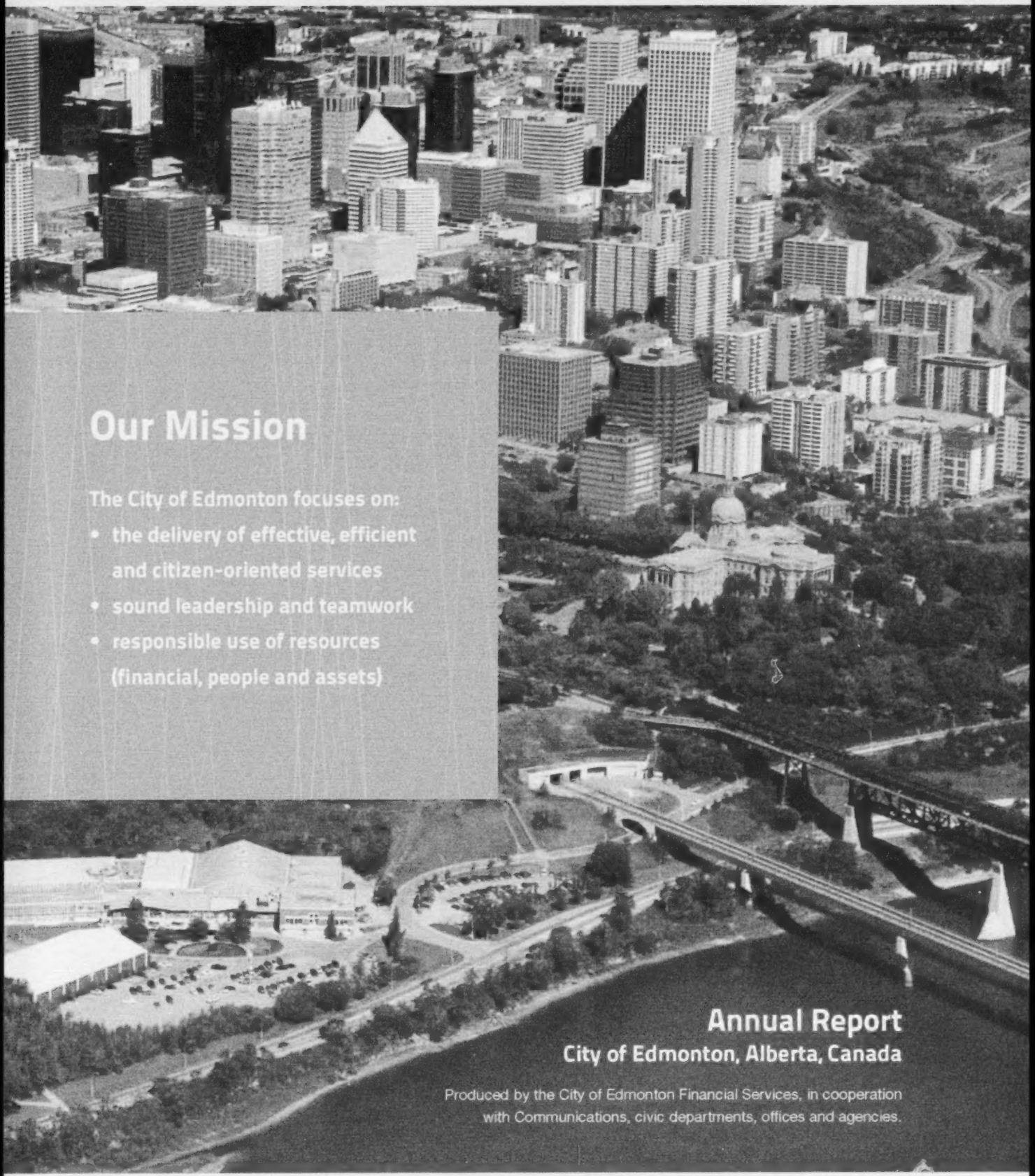


Our Mission

The City of Edmonton focuses on:

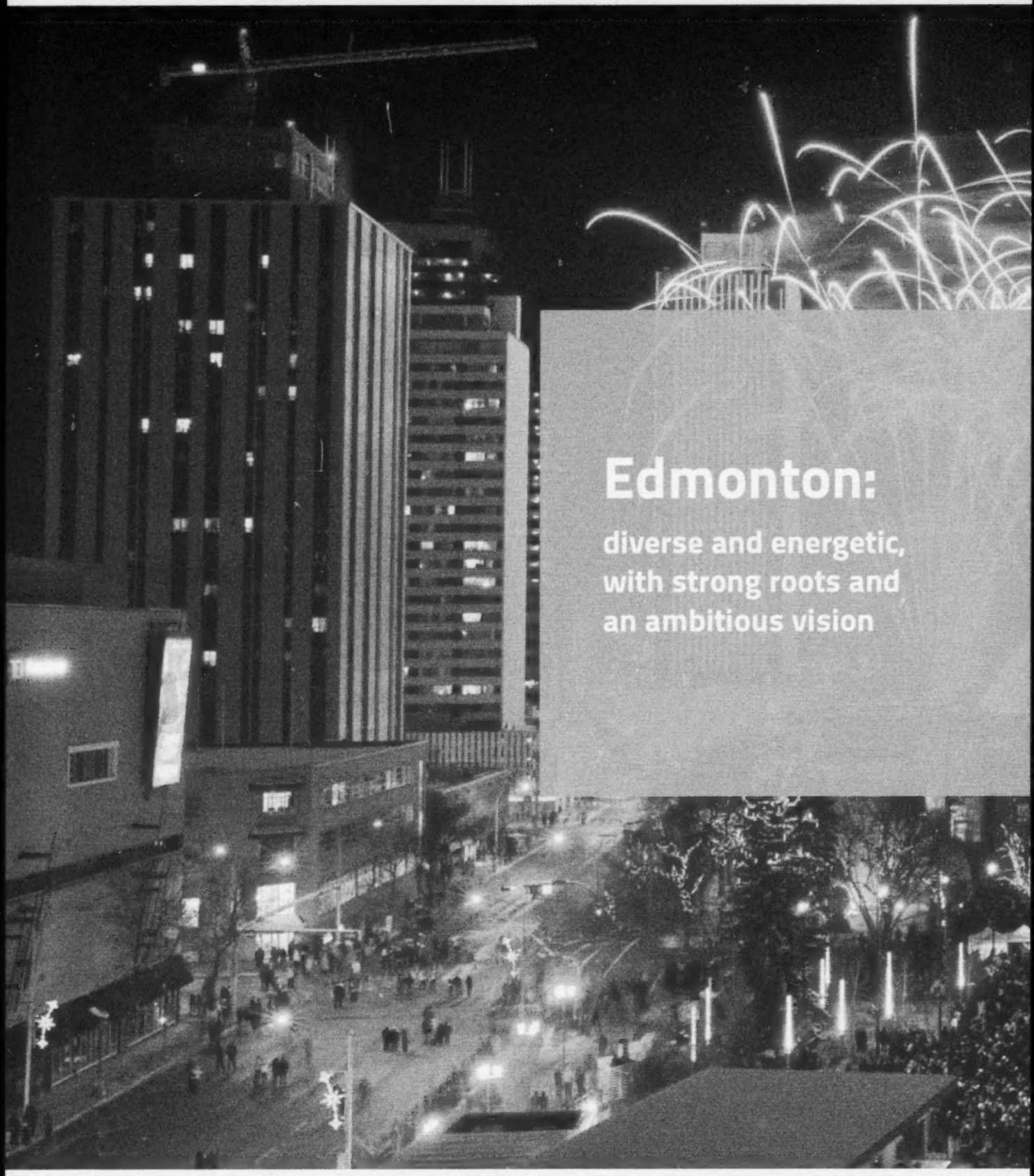
- the delivery of effective, efficient and citizen-oriented services
- sound leadership and teamwork
- responsible use of resources (financial, people and assets)

Annual Report

City of Edmonton, Alberta, Canada

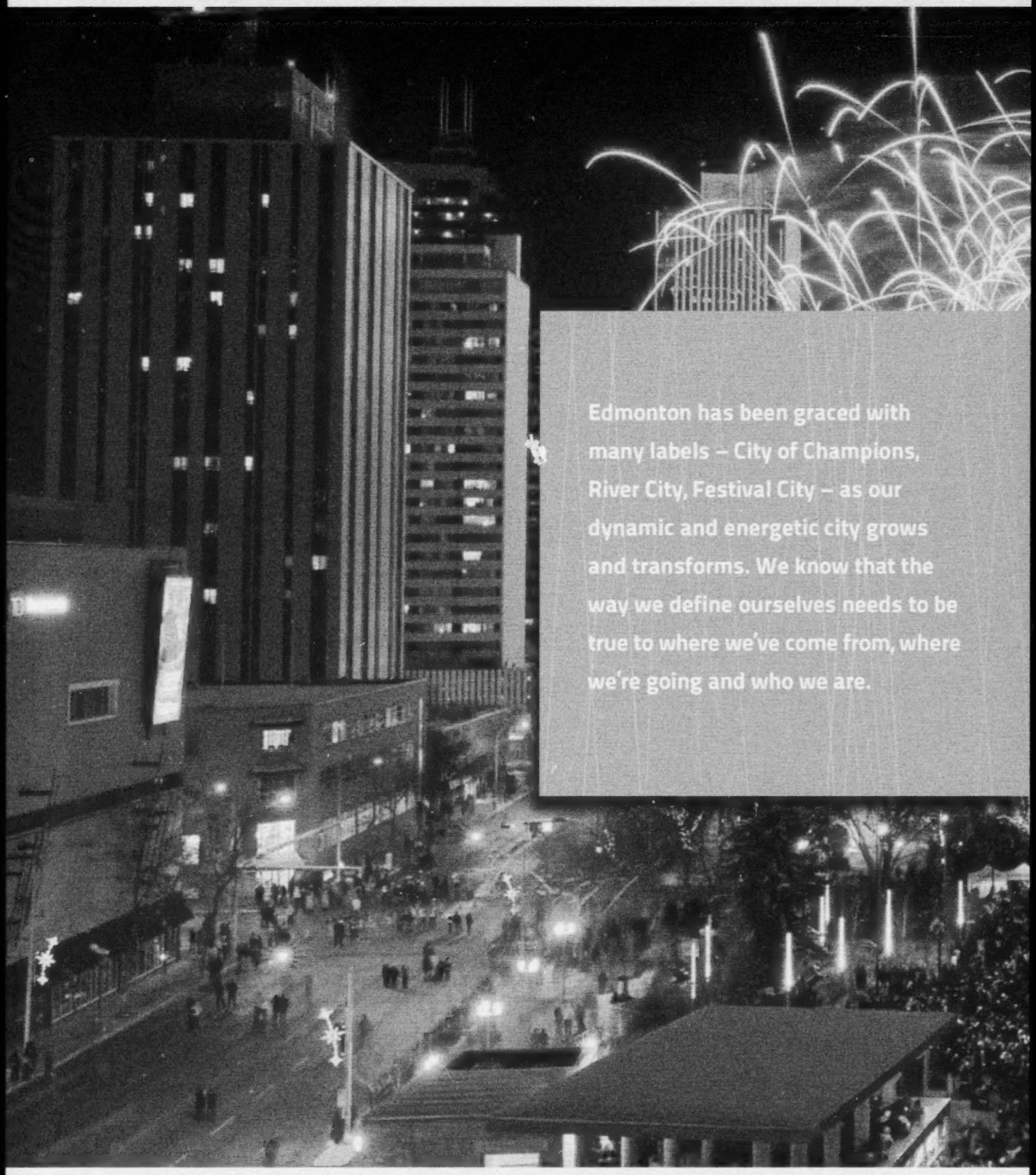
Produced by the City of Edmonton Financial Services, in cooperation with Communications, civic departments, offices and agencies.

For the year ended December 31, 2011



Edmonton:

diverse and energetic, with strong roots and an ambitious vision



Edmonton has been graced with many labels – City of Champions, River City, Festival City – as our dynamic and energetic city grows and transforms. We know that the way we define ourselves needs to be true to where we've come from, where we're going and who we are.

Edmonton – Our Home

Ours is a city rooted in the history of the Canadian West, with a population that represents people from aboriginal and pioneer communities to waves of 20th Century immigrants and more recent arrivals from all parts of the world.

Our city is a diverse, evolving metropolis, with a robust economy, strong infrastructure, dynamic arts and culture, and caring communities. The city has a cosmopolitan energy with a tradition of openness. We take our spiritual, physical and environmental health seriously.

We work hard. Albertans work longer hours than anyone in Canada (Statistics Canada, standard workweek excluding overtime, March 2012). We aren't afraid to put in the long days, whether it's in the financial or retail sectors, in agriculture, or in serving the needs of Canada's energy industry.

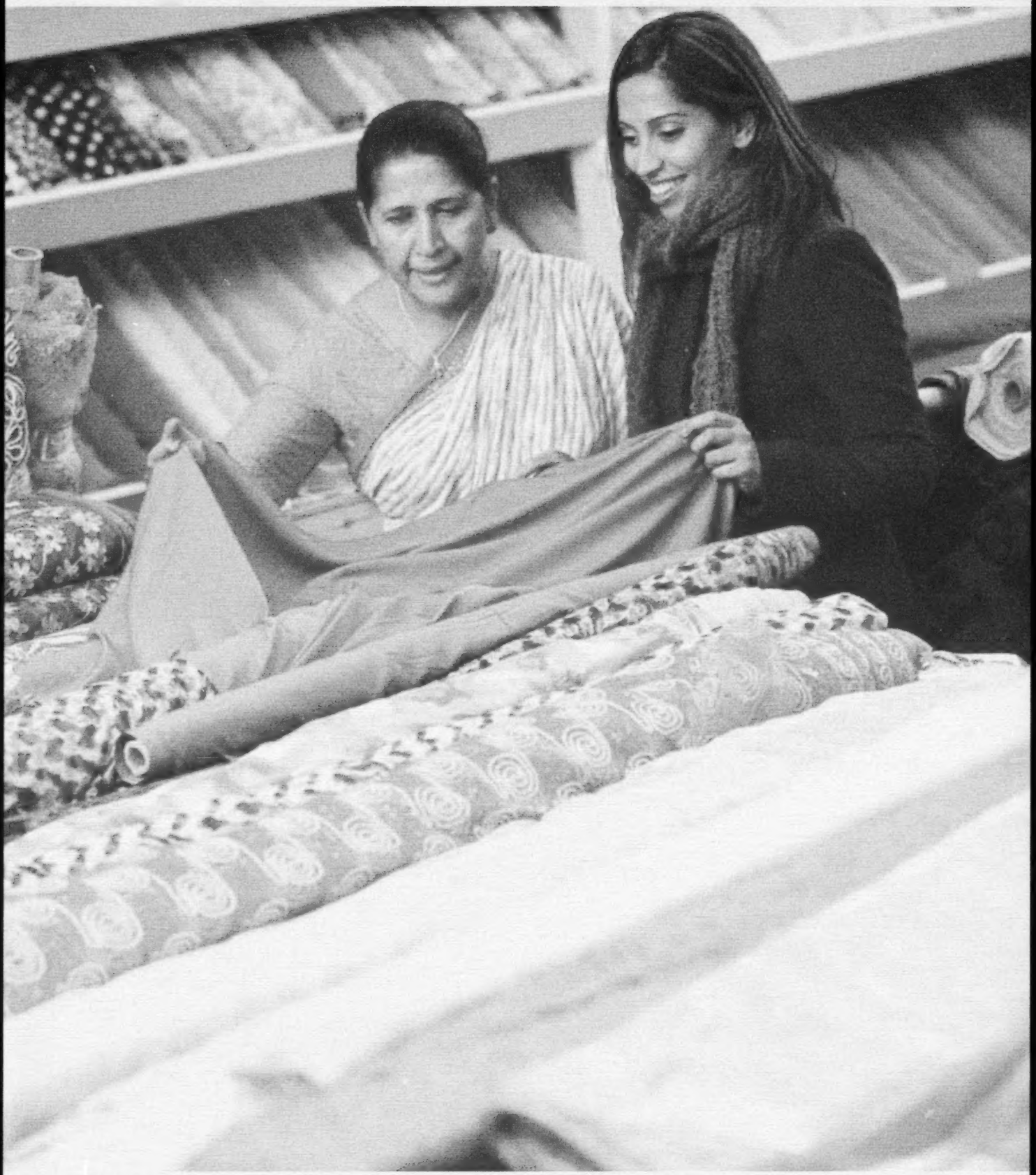
And we play hard. We're passionate about the more than 30 festivals throughout the year, the diversity of our arts organizations, the professional sports teams, the activities in our community leagues and neighbourhood recreation centres. And of course, there's no limit to the enjoyment of our river valley trail system – the largest continuous urban parkland in North America.

Edmonton is Canada's fifth largest city, and we have every cause for pride. With City Council's leadership, Edmonton is now fully engaged in realizing the six strategic goals designed to move us towards our 30-year vision – a vision crafted with citizen input in 2008. These goals, along with their implementation plans, will build on the tremendous resources and history this city has built up over the years.

Our 13,000 dedicated, talented and capable employees will continue to find ways to serve citizens better, whether it be the cheerful bus driver, the diligent street cleaner, or the person working with at-risk people on the street. These are men and women who could work elsewhere, but choose to be public servants because they like the work and take pride in our city.

The City will continue to lead innovation on the national and international stage. We led the way with early adoption of new computing systems to development of winter construction techniques and piloting smart traffic control technology. Tech giant IBM named Edmonton as the first Canadian city, and one of just 24 worldwide, to receive the 2011 Smarter Cities Challenge award. The award supports 21st Century solutions for successful growth, better delivery of municipal services, more citizen engagement and improved efficiency.

We continue to strive for excellence. City services play a significant role in the lives of Edmontonians everyday. We are proud of our accomplishments and eager to improve service at every opportunity.

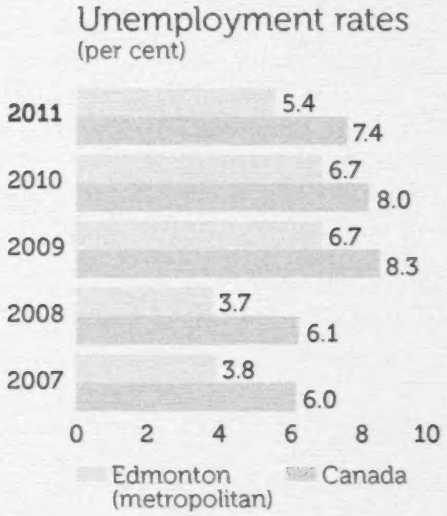


Economic Environment – A Positive Outlook

According to the Conference Board of Canada, Alberta's economy expanded by a healthy 3.1 per cent in 2011. Edmonton did even better with an inflation adjusted growth rate of 3.9 per cent. This was almost twice Canada's growth of about 2.1 per cent for the year.

This performance came despite 2011 being a tumultuous year globally, with financial markets roiled by recurring crisis in Europe. As well, a disappointingly slow and halting recovery in the United States raised concerns of a return to recession in North America.

An expanding energy sector – particularly conventional and non-conventional oil – was a key factor in Alberta's strong performance. Manufacturing, agriculture and transportation, along with an improvement in exports, also contributed to the province's growth.



Greater Edmonton's unemployment rate for 2011 was 5.4 per cent, compared to 7.4 per cent nationally. Edmonton experienced very strong employment gains in manufacturing, professional services and trade. New jobs in the capital region were full time and often in sectors with high skill requirements and above-average wages and salaries.

On a less positive note, inflation in both Edmonton and Alberta at large began gaining momentum over 2011. From relatively low levels at the beginning of the year, price gains – as measured by the consumer price index – exceeded 3 per cent in the closing months of 2011. This run-up in inflation partly reflects temporary factors so some moderation may be in the offing.

As we look forward to 2012 this year's excellent job gains set a very positive tone. With more full-time employment and higher wages, consumers will begin to pick up the pace in Edmonton's housing market. Retail and personal services sectors should also see a very strong year in 2012. In addition, a relatively low unemployment rate will draw job seekers from other parts of Canada and elsewhere. Higher levels of in-migration will add further stimulus to the local economy while helping to contain emerging labour and skill shortages.

Consequently even though the pace of growth in this year's leading sectors will slow, a broadening of expansion on the consumer side of the Edmonton economy is expected to mean growth rates comparable to those of 2011.

OILMEC

City Council (elected October 18, 2010)

Back row (left to right):
Don Iveson - Ward 10
Dave Loken - Ward 3
Amarjeet Sohi - Ward 12
Bryan Anderson - Ward 9

Middle row (left to right):
Tony Caterina - Ward 7
Ben Henderson - Ward 8
Mayor Stephen Mandel
Kerry Diotte - Ward 11
Ed Gibbons - Ward 4

Front row (left to right):
Linda Sloan - Ward 1
Kim Krushell - Ward 2
Jane Batty - Ward 6
Karen Leibovici - Ward 5

Message from City Council

This past year has been an exciting and challenging time for the City of Edmonton. We experienced a period of steady growth, made progress on some of the largest infrastructure projects in our history and continued to plan for the transformation of our downtown core.

With a high per capita income, a strong economy and exceptional municipal services, Edmonton continues to be a great place to live, work and invest. In the past five years, our population grew 11.2 per cent, which was nearly double the national average. Individuals and businesses from across the country and around the world continue to come to Edmonton looking for new opportunities to work, raise families and enjoy the exceptional quality of life we have to offer.

As members of City Council, we are actively planning for this growth while at the same time balancing our fiscal responsibilities. In late 2011 we approved a new three-year infrastructure budget that will see spending lower than in the previous cycle, but still sufficient to meet the demands of our growing population. Last year alone, we spent more than $1 billion to expand our transit system, revitalize neighbourhoods, rehabilitate roads and bridges and build new parks and recreation facilities.

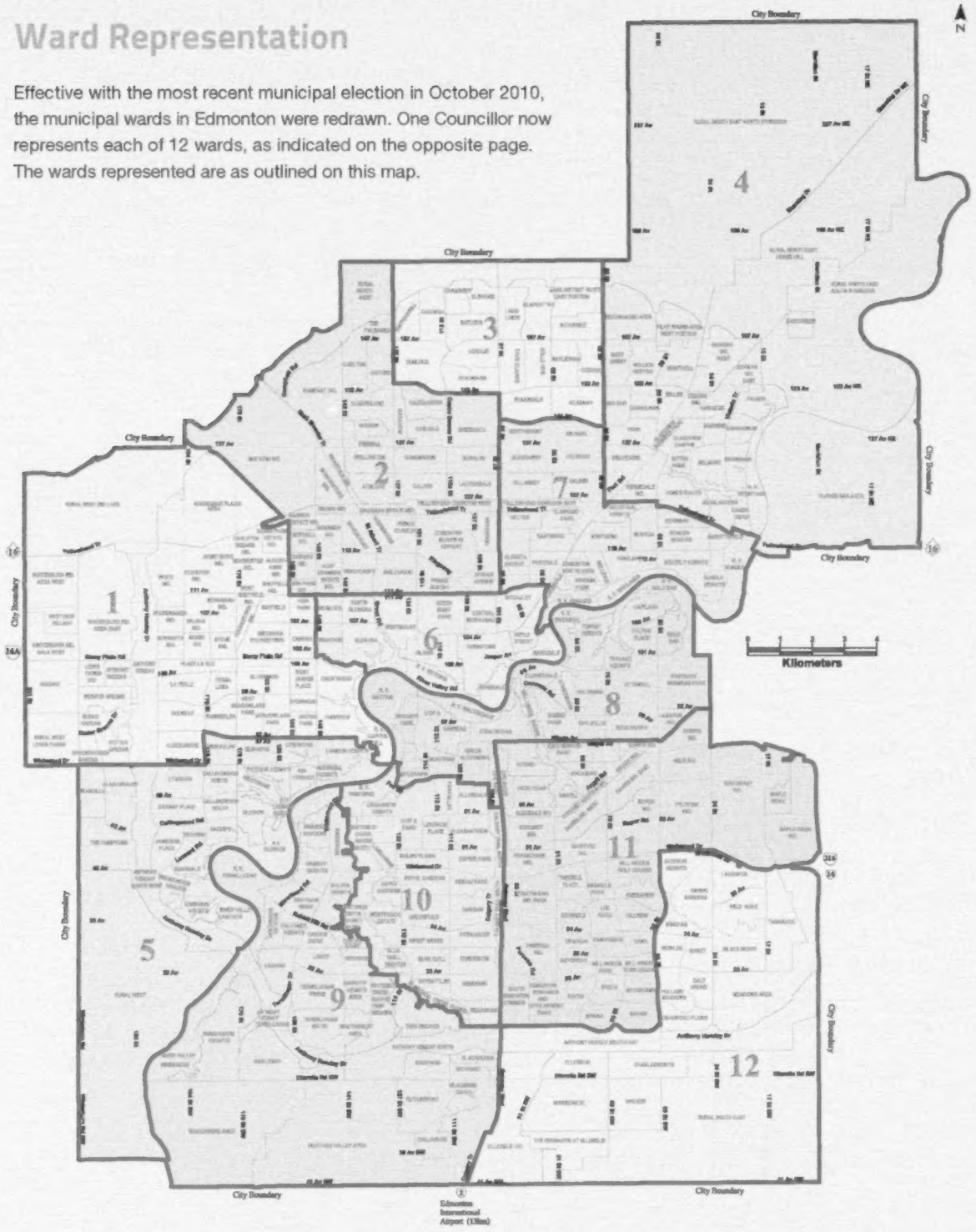
Edmonton is also planning for downtown transformation that will change the face of our city. Projects like the Quarters Downtown, the City Centre Redevelopment, a Downtown Arena and Entertainment District and new Royal Alberta Museum will increase the population density of our downtown, enhance our arts, culture and sports communities and make our city centre a revitalized hub of activity.

We will also continue to leverage and enhance Edmonton's diverse economy which includes energy resources, information technology, health care, research and agri-foods. In 2011 we were recognized by *The Financial Post* as one of Canada's top cities for entrepreneurs with our highly-skilled workforce, competitive tax rates and high level of business optimism. In fact, there are few economies in Canada or around the world that are as well positioned for growth as ours.

Edmonton's future is bright, filled with new opportunities and exciting possibilities. Together with our citizens, businesses and community organizations we will continue to build on our strengths of environmental stewardship, connected and engaged neighbourhoods, economic stability and a shared sense of belonging to fulfill our vision of a city that is increasingly vibrant, innovative, inclusive and sustainable.

Ward Representation

Effective with the most recent municipal election in October 2010, the municipal wards in Edmonton were redrawn. One Councillor now represents each of 12 wards, as indicated on the opposite page. The wards represented are as outlined on this map.



Message from the City Manager

On behalf of the City of Edmonton's Administration, I am pleased to present our 2011 annual report.

A vibrant, dynamic city with great amenities and a high quality of life attracts talent and investment. Edmonton's strategic plan sets out the action we will take to ensure our city can stand alongside urban centres around the world.

People are mobile; the world is small. We want people to continue to choose Edmonton to invest, study, build their careers and make their home.

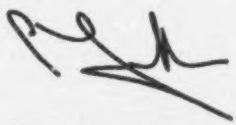
Edmonton continues to be a Canadian leader in economic and population growth. Newcomers continue to arrive in our city from other parts of the country and beyond Canada's borders.

To service this growing population, the City of Edmonton's capital investment from 2009 to 2011 was an unprecedented $3.3 billion in new growth projects and renewal of existing infrastructure.

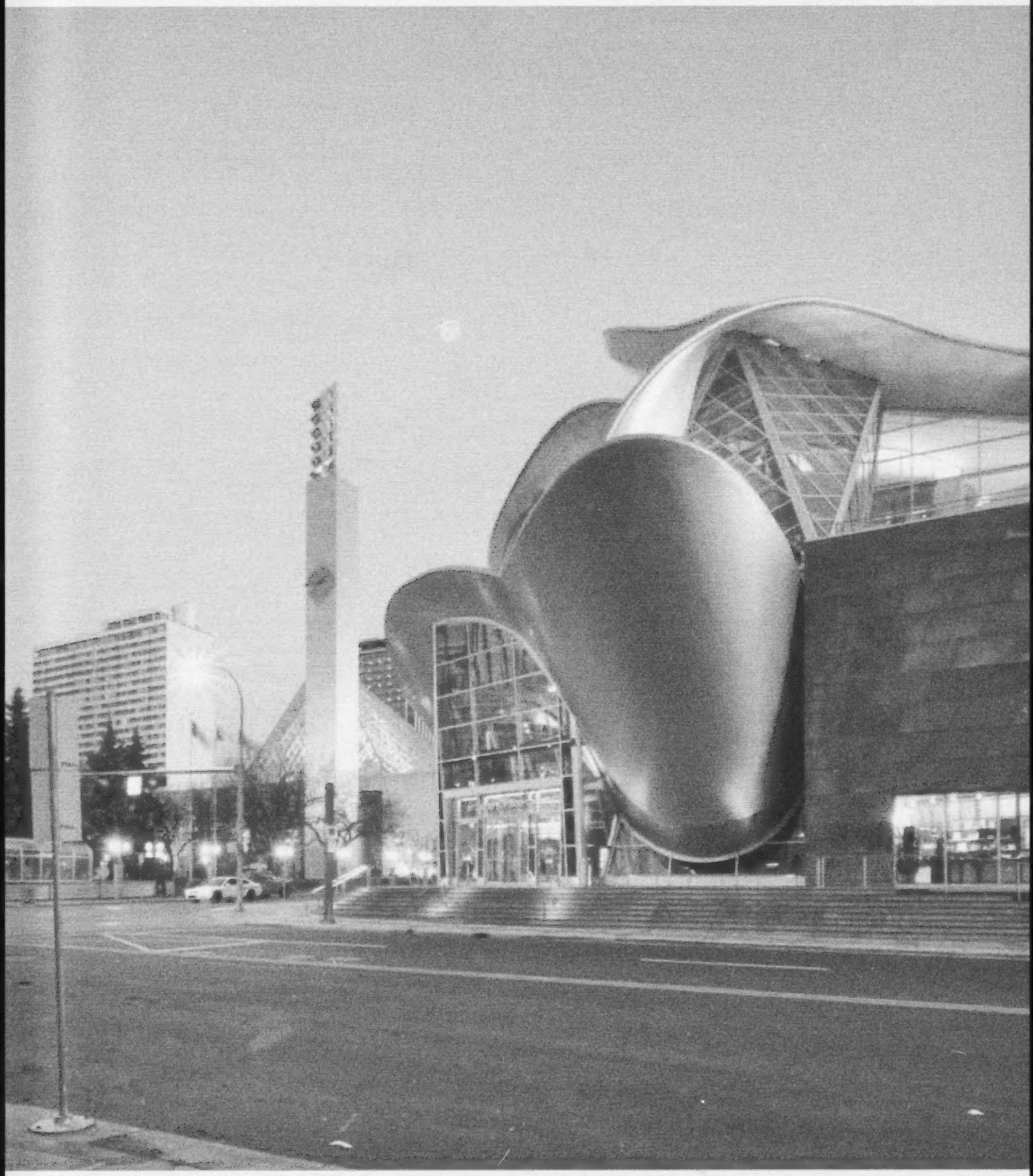
We continue to develop our urban core. We are making significant strides in providing new fitness and recreational facilities. We continue to resolutely focus on our ten-year strategic goals. Major projects like our LRT expansion strengthen our transportation network while at the same time improve our environment and make a more livable, convenient city.

City Council approved a three-year capital budget that sets our course through the end of 2014. Our investment in quality of life amenities continues. We continue to explore new strategies for financing and partnerships to keep pace with our growing city.

The City of Edmonton Administration is excited about the future. We have logged significant progress toward our goals and we continue on course.



Simon Farbrother
City Manager



Political and Administrative Structure

City Council

Edmonton is governed by an elected City Council composed of a Mayor and 12 Councillors, each representing a ward of the city. Together they provide leadership and direction to the City Manager and City Administration. Elections are held every three years, with the most recent municipal election held on October 18, 2010.

City Council meetings are held two to three times a month. City Council has a number of standing committees that meet regularly. These include an Audit Committee, to assist Council in fulfilling its oversight responsibilities over financial reporting, audit and enterprise risk management. Two external members augment Audit Committee. A standing Utility Committee, composed of four members of Council, was established in 2010 to review and recommend to Council items related to policy and rate-setting of Waste Management, Sanitary and Land Drainage Utilities and EPCOR. An external utility advisor reports to Council through the Utility Committee. Meetings of City Council and Committees are open to the public.

Office of the City Auditor

Appointed by and accountable to City Council, the City Auditor performs the key roles of guardian and agent of change, providing independent reviews of civic departments and programs through audits and other studies.

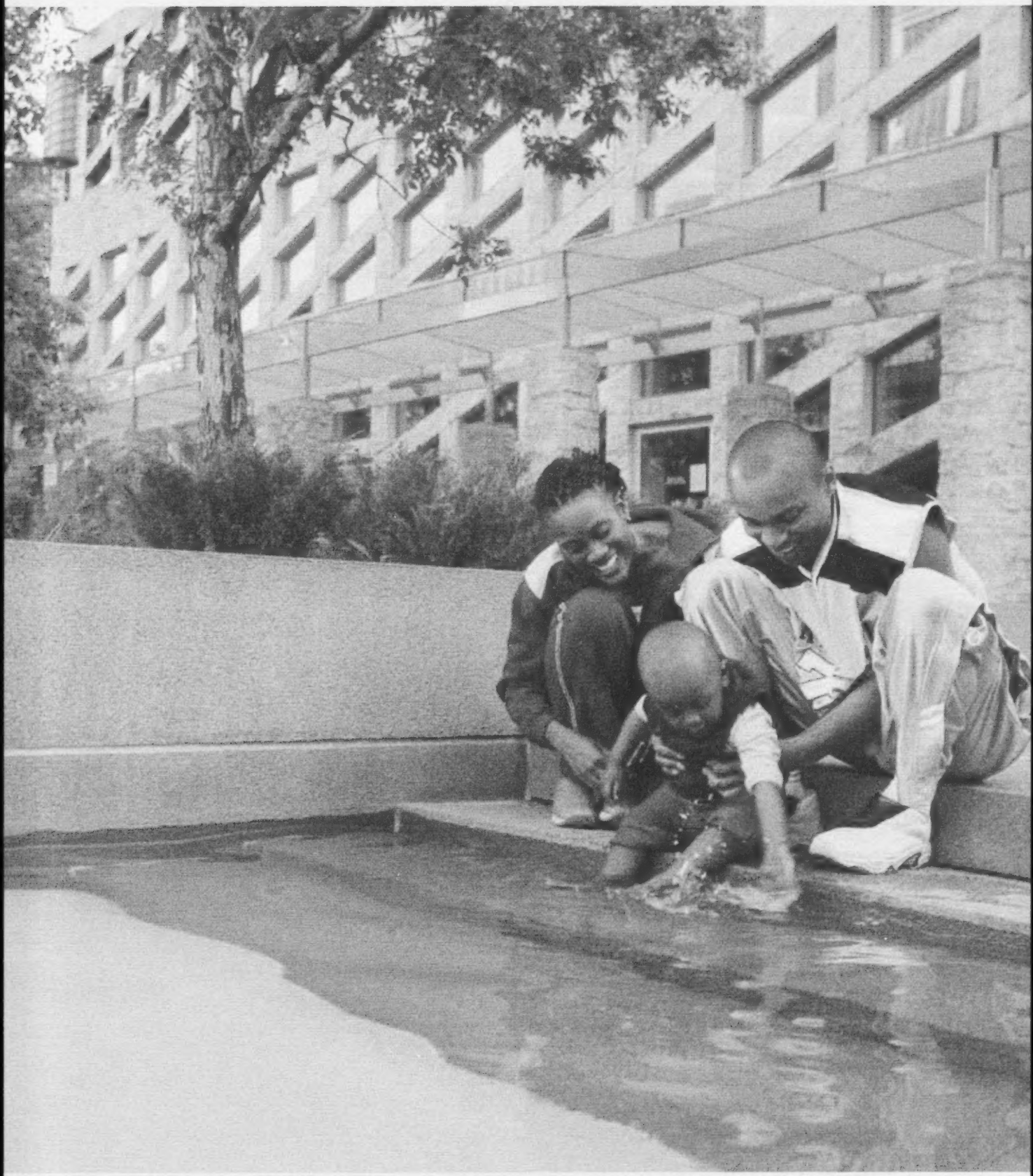
EPCOR Utilities Inc.

EPCOR Utilities Inc. (EPCOR) is wholly owned by the City of Edmonton and City Council appoints the utility's Board of Directors and Chairman. EPCOR builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers. The company operates in Canada and the United States, with its head office located in Edmonton.

EPCOR owns a 39 per cent equity investment, decreased from 61 per cent at the end of 2010, in Capital Power, a power generation company also headquartered in Edmonton. As a result of certain restrictive rights established, EPCOR maintains influence but not control of Capital Power.

Library

The Edmonton Public Library operates under the authority of the Libraries Act of Alberta and is governed by a 10-member City Council-appointed Board, including nine citizens and one City Councillor. Library services are offered from a main location downtown and 16 additional branches.



Police

The Edmonton Police Commission is committed to making Edmonton a safe and vibrant city and includes seven citizens, appointed by City Council, and two City Councillors. The Police Commission oversees the Edmonton Police Service, including allocating funds provided in its annual operating budget to maximize the Police Service's community-based approach to enhancing safety and combating crime.

Edmonton Economic Development Corporation

Edmonton Economic Development Corporation (EEDC) is a wholly-owned subsidiary of the City of Edmonton and reports to a 15-member Board of Directors, appointed from both the private and public sector by City Council. The Board includes Edmonton's Mayor. EEDC is responsible for regional economic development, tourism marketing, and the operation of the Shaw Conference Centre and Edmonton Research Park. EEDC is also part of a joint venture with the University of Alberta called TEC Edmonton, which opens doors for local entrepreneurs, investors and the U of A research community.

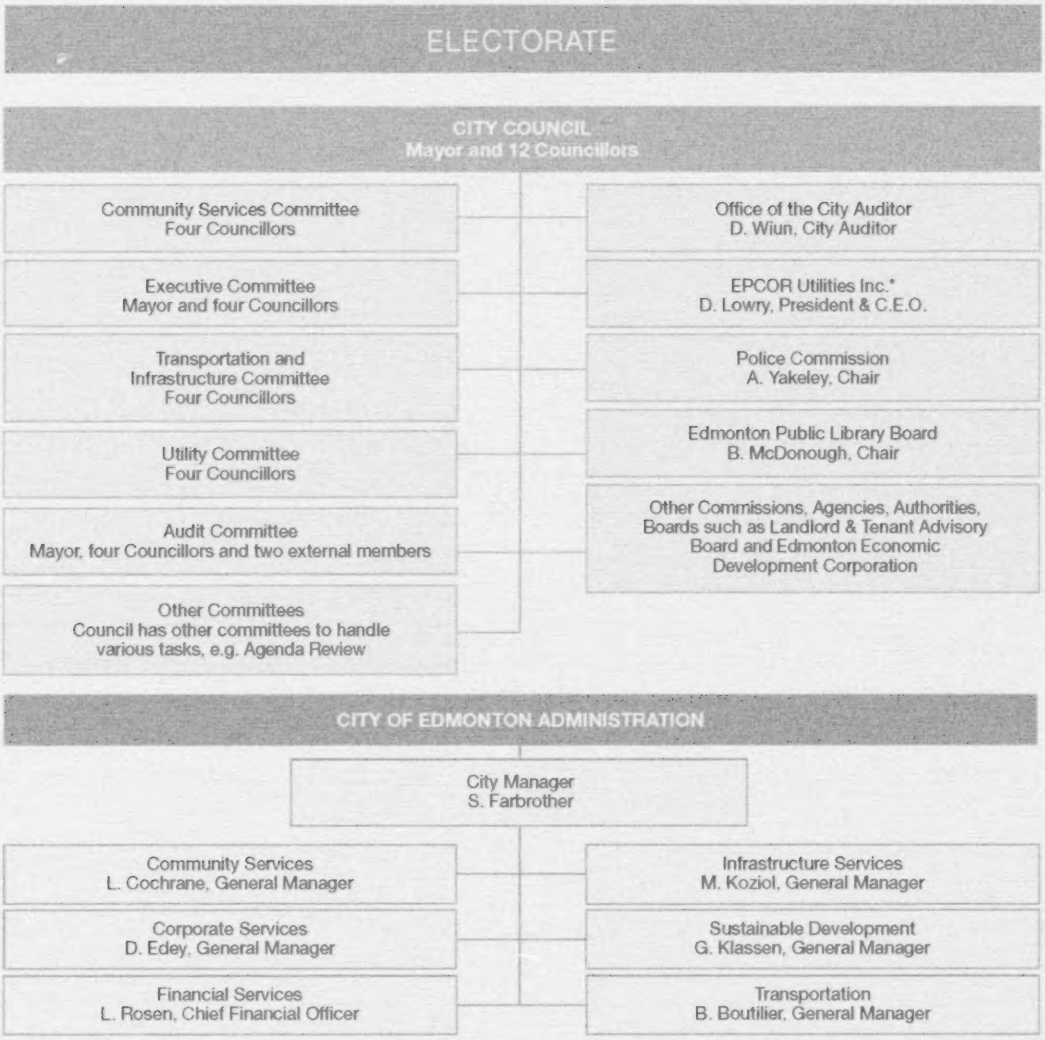
Other Boards

In addition to the boards named above, hundreds of citizens play valuable roles as members of commissions, agencies, boards and authorities that provide leadership and advice with respect to vital aspects of our City. Areas addressed by those bodies include business development, assessment, transportation, housing and historical preservation. Most citizens volunteer their services, evidence of the vibrant volunteerism for which Edmonton is internationally known.

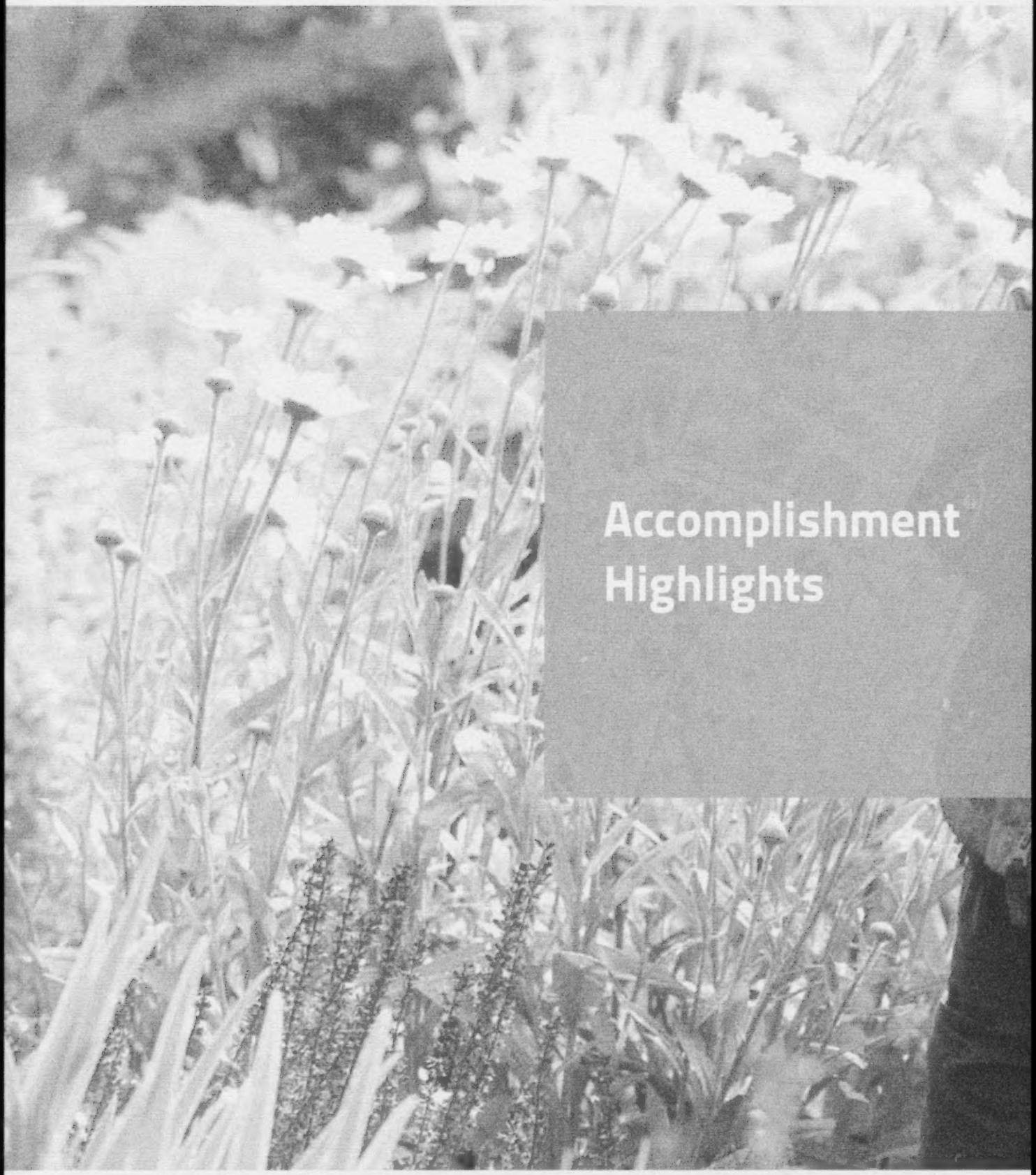
City Manager

Appointed by City Council as Chief Administrative Officer, the City Manager implements City Council policies and manages day-to-day operations to ensure that citizens have access to the essential services needed in a livable city. Simon Farbrother assumed responsibility as City Manager on January 18, 2010. City Administration is organized into six departments reporting to the City Manager, each responsible for a particular aspect of public service.

Legislative and Administrative Organization Chart



*EPCOR Utilities Inc. is a wholly-owned subsidiary of the City of Edmonton.



Accomplishment Highlights

The City's 10-year strategic plan, The Way Ahead, continues to shape the actions necessary to achieve our long-term vision. Six strategic goals (The Ways) support this vision.

Implementation plans are being finalized to chart the City's path and measure progress towards the strategic goals (the Ways). This holistic and visionary suite of goals, directions and measures helps the City establish priorities, make informed decisions and manage the opportunities and challenges of our dynamic environment. Following are just some examples of accomplishments realized in 2011 with the guidance of our strategic "roadmap."

Preserving and Sustaining Edmonton's Environment – The Way We Green

In the bin. The number of people and the frequency of visiting a Recycling Depot followed a consistent trend in 2011, with 65 per cent of single family households and 66 per cent of multi-family households using Recycling Depots around the city. Meanwhile the number of people using Eco Stations in a 12-month period continues to grow, from 37 per cent in 2006, to 53 per cent in 2009 and 66 per cent in 2011.

Keep it clean. A Low Impact Development (LID) Design Guide has been developed to help reduce pollutants in the North Saskatchewan River by managing storm runoff as close to the source as possible. The guide provides technical guidance for planning, design and maintenance of LID features.

Waste not, want not. The City is finding ways to minimize the effects of major capital construction projects. For instance, in the project to build the North LRT to the Northern Alberta Institute of Technology, trees obstructing the right-of-way have been relocated whenever possible, or donated to an Edmonton grade school for landscape art projects. Unused wood is chipped for tree wells or mulched and composted. Ninety percent of material from buildings removed from the right-of-way has been recycled. Removed asphalt is reused on site or for other projects. Rainwater at the future MacEwan transit station will be collected and used for irrigation.

Improving Edmonton's Livability – The Way We Live

Reducing violence. A Violence Reduction strategy aimed at reducing the severity and frequency of violence, and better addressing the conditions that lead to crime and social disorder, was launched by the City, including Edmonton Police Service, in conjunction with REACH Edmonton. Strategy elements include enhanced support programs for vulnerable populations, expanded enforcement in areas with bars and nightclubs and deployment of Community Action Teams and Neighbourhood Empowerment Teams in distressed communities.

Terwillegar centre opens. Terwillegar Community Recreation Centre is a new social hub in Edmonton, where people of all ages gather to exercise, meet, relax and socialize in safety and comfort. Accessibility in this facility is rated Excellent, making it barrier-free for all citizens to enjoy. The facility was recognized by the Canadian Paraplegic Association (Alberta) with the Percy Wickman Accessibility Award. In its first year of operation, the facility welcomed more than one million users.

Safety inspections. Edmonton Fire Rescue Services staff inspected nearly 9,500 high risk and maximum risk buildings to ensure citizens are safe where they live, work and play. Inspections were conducted in everything from schools to seniors' residences to local businesses. Inspections are key to preventing fires before they happen.

Transforming Edmonton's Urban Form – The Way We Grow

Collaborative planning. The City of Edmonton received an Award of Merit from the Consulting Engineers of Alberta (CEA) for the North LRT to NAIT project in early 2012. The CEA commended the project team for its collaborative approach to constructing a tunnel cavity below the EPCOR Tower at 101 Street and 105 Avenue. The team designed and built the cavity for the North LRT to NAIT line, due for completion in two years' time, during the design and construction of the EPCOR Tower.

Welcome home. Cornerstones: Edmonton's Plan for Affordable Housing marked the end of its five-year term by surpassing Council's original goal of creating 2,500 affordable homes by 2011. As of December 31, 2011, the Cornerstones initiative increased Edmonton's supply of affordable housing by funding 3,038 safe, affordable housing units for citizens. City Administration will deliver recommendations for another similar grant program to City Council in 2012.

A winner. The transformational plan for Edmonton's downtown was recognized in 2011 by international, national and provincial organizations. The Capital City Downtown Plan was given awards by: Alberta Emerald Foundation, International Downtown Association, Alberta Professional Planners Association, Canadian Institute of Planners and the Edmonton Urban Design Awards. These awards recognize how the downtown plan will make the heart of the city even more vibrant, attractive and sustainable.

Downtown CRL. City Council approved the boundaries of the Capital City Downtown Community Revitalization Levy (CRL) area in October 2011. The CRL will provide funding for proposed catalyst projects that include: Jasper Avenue New Vision, Central Warehouse Housing Incentive Program, downtown stormwater drainage work, river valley promenades, and the proposed downtown arena district. Investment in the catalyst projects will help Edmonton increase urban densification, improve sustainability, enhance transit viability and will also showcase downtown Edmonton as a vibrant economic, recreation and residential centre.

Shifting Edmonton's Transportation Mode – The Way We Move

Major roadwork. Thanks to cooperative weather, a diligent workforce, plenty of patience from Edmonton motorists and approximately $231 million in taxpayer investment, the City wrapped up an amazing number of major projects in 2011. Two were the Quesnell Bridge and Whitemud Drive widening project and the 23rd Avenue-Gateway Boulevard-Calgary Trail Interchange. At the same time the year saw the reconstruction of Scona Road and 99th Street as well as roadwork on Kingsway Avenue to accommodate the North to NAIT LRT line due to be complete in a couple more years.

Smart roads. City staff have been doing preparatory work with international partners to turn the Yellowhead Trail into a smart technology laboratory and showcase, with the ultimate aim of moving goods and people more quickly. Tech-solutions for merging onto the Trail could also avoid the need for overpasses – just one example of significant savings to the taxpayer. The Trail has the highest concentration of trucks and congestion among the city's arterial roadways.

Zooming ahead. More Edmontonians than ever are making the choice to go with public transit, whether bus or LRT. A ridership survey shows that overall bus ridership increased 5.2 percent from 76.3 million trips in 2010 to 80.3 million trips in 2011. Weekday LRT ridership increased from 92,000 to 95,300 daily passenger boardings in 2011. Weekday bus ridership increased from 297,000 to 302,000 daily passengers boardings in 2011. Contributing factors include good service, a full year of South LRT operation and programs such as U-Pass for post-secondary students.

Ensuring Edmonton's Financial Sustainability

Financial planning. The Way We Finance, a 10-year plan for financial sustainability, is under development to ensure Edmonton has the right balance of funding tools and sources for operations and infrastructure. The City wants a sustainable approach that is affordable to Edmontonians, capable of delivering the level of services Edmontonians expect, and supportive of the community's long-term goals.

The City's tax share. The latest (2009) numbers from Statistics Canada show that the average Edmonton household paid almost $17,000 for taxes to all levels of government (combining income taxes, education taxes and property taxes). For every dollar of this total tax amount, 65.9 cents goes to the federal government, 28.4 to the provincial government, and 5.7 cents to the City of Edmonton.

Shared dollars. The City allocated funds transferred from other orders of government in 2011 as follows:

Federal government:		
Operating	$	45,104
Capital	$	34,272
Provincial government:		
Operating	$	68,044
Capital	$	452,883

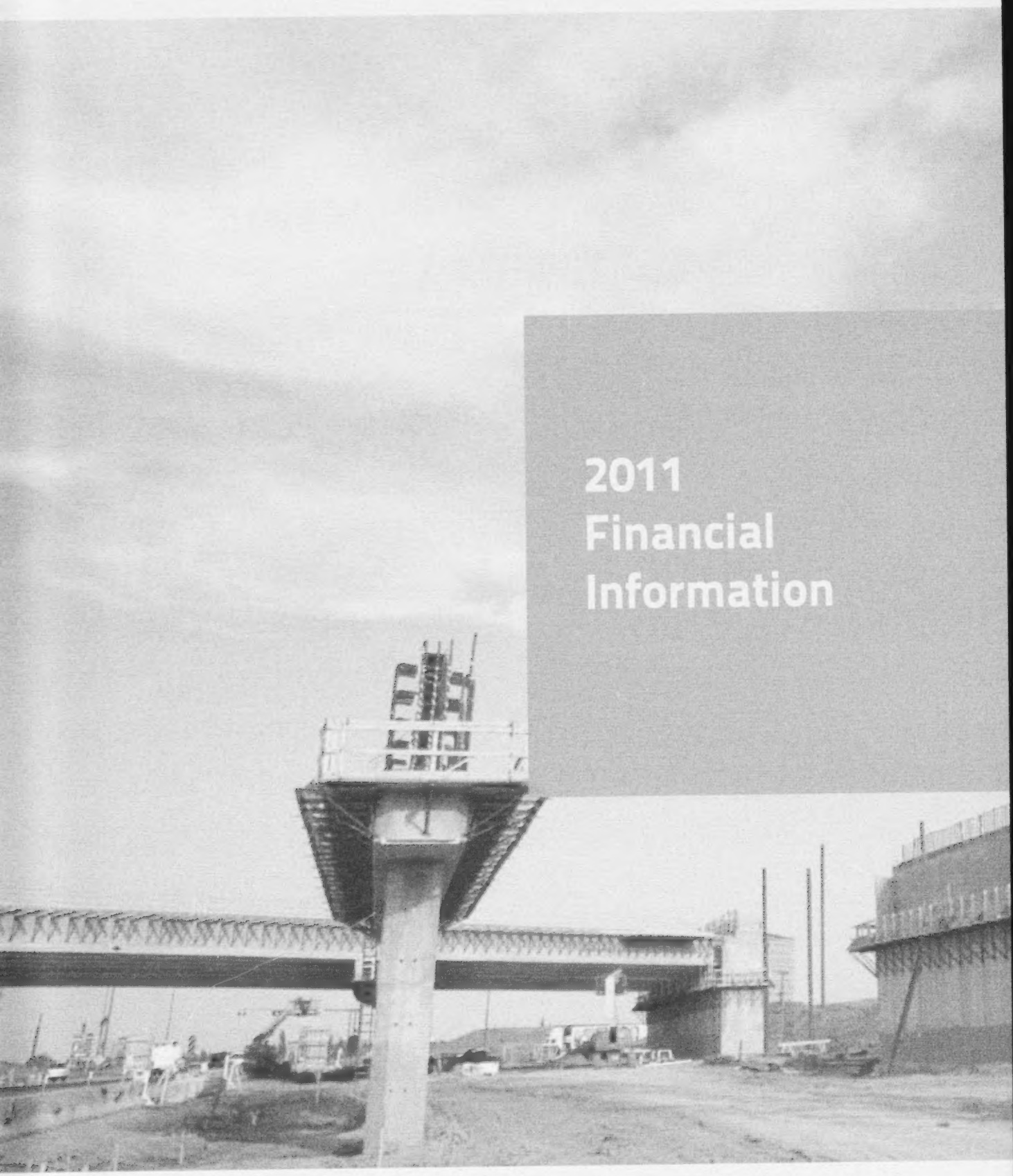
Record-setter. 2011 was the last year in a three-year capital investment cycle that saw a record $3.3 billion invested in capital infrastructure projects. Lower interest rates, higher industry capacity coming out of the recession, and a desire to catch up on some long-needed projects supported this level of spending on facilities and amenities that Edmontonians use every day.

Diversifying Edmonton's Economy – The Way We Prosper

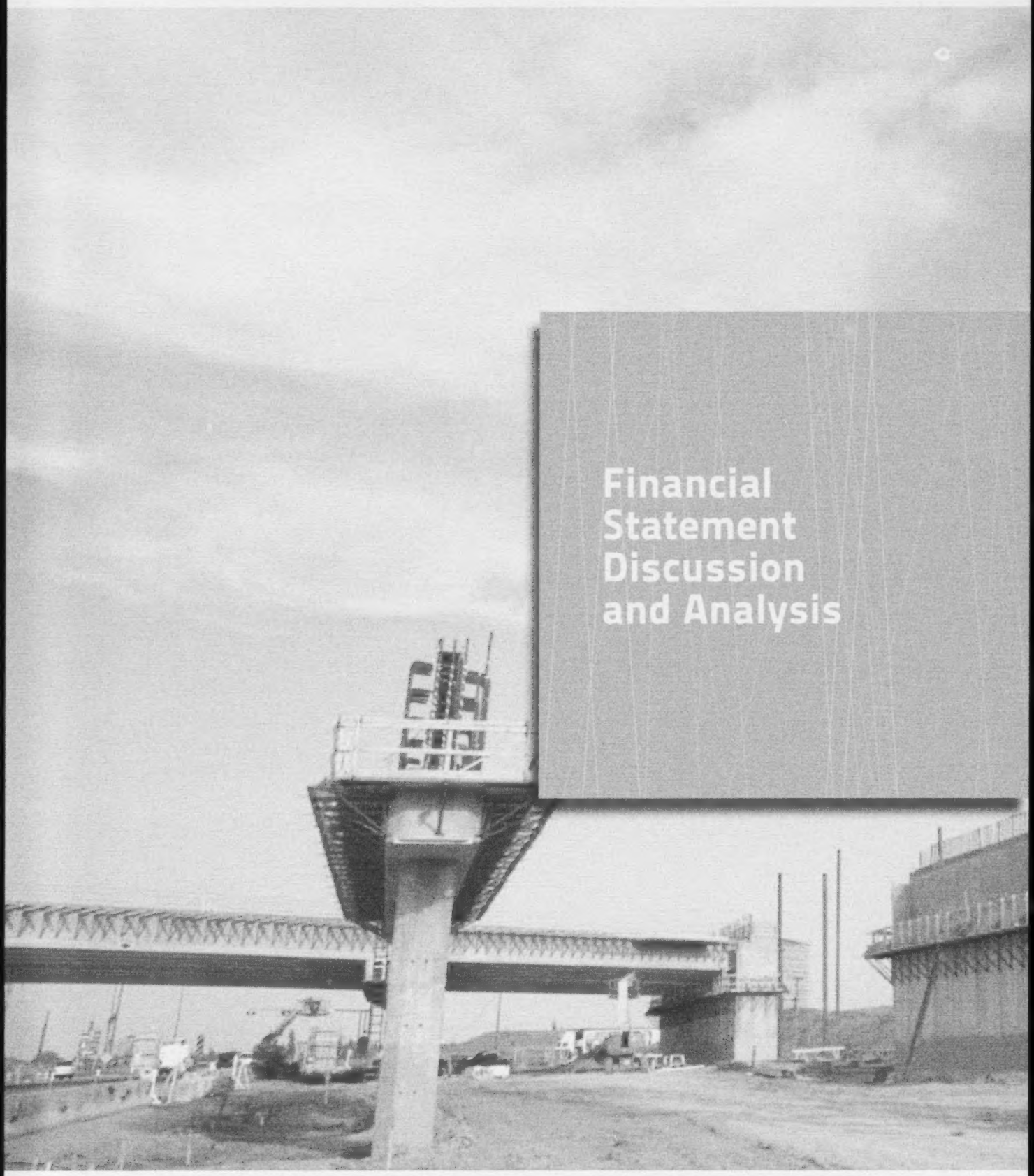
Help found. 34,800 new jobs were created in the Edmonton area from December 2010 to December 2011, the fastest rate of job growth in Canada, according to Statistics Canada. Most were full time, often in sectors with high skill requirements and above-average wages and salaries.

A plan to prosper. Activities to create *The Way We Prosper*, a comprehensive economic development strategy for the city, kicked into high gear in early 2012 with announcement of a suite of public and business consultation opportunities. The strategy will help set direction, guide decisions and align the priorities for transforming Edmonton's future.

Smokin' turnstiles. The City of Edmonton and Northlands joined forces to host the 2011 River City Round Up, a 10-day celebration of Edmonton's agriculture and western heritage in 2011. Operating in conjunction with the Canadian Finals Rodeo and Farmfair, this multi-day festival serves to raise the profile of agriculture as an important part of our heritage and a vital part of our economy.



2011 Financial Information



Financial Statement Discussion and Analysis

Lorna Rosen, CMA
Chief Financial Officer
and City Treasurer

Financial Statement Discussion and Analysis

The Annual Report provides information regarding use of financial resources entrusted to the City of Edmonton to provide municipal infrastructure and services. It serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2011 financial performance, significant financial policies, strategies and events.

The 2011 Annual Report includes the consolidated financial statements for the City, prepared in accordance with Canadian public sector accounting standards. KPMG LLP have audited the financial statements and provided the accompanying Auditors' Report. The financial statements and auditors' report satisfy a legislative reporting requirement as set out in the *Municipal Government Act* (MGA) of Alberta.

The following financial statement discussion and analysis has been prepared by Management and should be read in conjunction with the audited consolidated financial statements and the accompanying statistical review.

2011 Financial Highlights

Despite the challenges of global economic volatility, our region's resilient economy gained momentum through 2011. The City ended a three year capital budget for 2009 – 2011 with a total capital investment of $3,270.0 million, including $1,055.7 million in 2011, addressing major roadway, recreation centre, and neighbourhood renewal priority projects. Other significant contributions were also made as partners to community projects.

The City was able to draw on reserve funds to offset the net cost of snow and ice control expenses early in 2011, required to address an abnormal winter. Other savings from reduced debt servicing cost arising from deferral of capital expenditures and therefore related borrowing, personnel savings and lower than budgeted corporate expenditures also contributed to a near balanced operating year-end position for tax-supported operations.

Financial Position

The City ended the year with a net financial asset position (financial assets less liabilities) of $1,429.3 million, a decrease of $311.9 million from the prior year, relating primarily to a lower cash position and increased long-term debt. The City's investment of $2,351.0 million in the EPCOR subsidiary is a primary component of the net financial assets.

Overall the City has maintained a strong accumulated surplus with a total of $10,875.6 million, an increase of 4.8 per cent from the prior year balance of $10,381.1 million. The change in the accumulated surplus arises from the annual excess of revenues over expenses for the year of $613.6 million. Offsetting that increase is a net adjustment of $119.2 million to accumulated surplus, consisting of a $123.4 million transitional adjustment and a $4.2 million non-comprehensive income adjustment, both relating to the EPCOR subsidiary. Further explanation is provided later in this analysis.

Cash Position

The City's cash position, consisting of cash and temporary investments, has decreased to $1.7 million from $92.4 million in 2011, an overall reduction of $90.7 million.

The Consolidated Statement of Cash Flows summarizes the sources and uses of cash in 2011. During the year, cash was raised in a combination of $616.4 million from operations, $171.3 million from investing activities, and $173.5 million from net borrowing. $1,051.9 million was spent to acquire tangible capital assets, net of proceeds on disposal.

Promissory notes are being used to assist in managing cash flow and working capital requirements. The promissory notes are very liquid in the bond market, providing flexibility if repayment dates need to be adjusted. Five promissory notes with a discounted value of $59.9 million and interest rates ranging from 0.9 per cent to 0.95 per cent are outstanding at the end of 2011, with maturity values of $60.0 million coming due over the period of January through March 2012.

Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost of the land includes amounts for strategic land acquisition and improvements to prepare the land for sale or servicing. Due to significant land purchases such as in the area of the proposed downtown sports and entertainment district development project, the value of land for resale increased by $50.7 million, from $87.5 million in 2010 to $138.2 million at the end of 2011.

Investments

All investments held by the City must comply with the MGA, the associated provincial Investment Regulation, *Major City's Investment Regulation* and with the City's internal investment policy. The goal of the City Council-approved investment policy, as overseen by the Investment Committee, is to preserve the original principal and to maximize investment returns within an acceptable and prudent level of risk. Asset mix is determined based upon the earning objectives, investment time horizon and level of risk tolerance. The Investment Committee is confident that the asset allocation policies remain appropriate and will continue to monitor and evaluate the City's investment program and recommend changes as appropriate. More detailed information on the investment performance and benchmarks is available in the Investment Committee 2011 Annual Report.

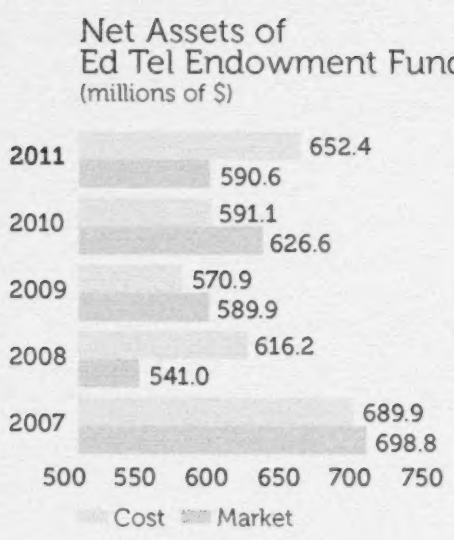
Included in investments of $1,346.4 million are amounts held as cash (net), fixed income and common and preferred shares, held within a Short Term Bond Fund, a Balanced Fund, and the Ed Tel Endowment Fund. Overall, the market value of the investment portfolio declined in the third and fourth quarters, ending the year at $1,276.6 million, below the investment cost by 5.2 per cent.

Equity markets around the globe generally declined throughout the year, in the wake of considerable uncertainty associated with a number of political and economical challenges faced in 2011. Markets continue to be very volatile with both positive and negative fluctuation. Management is of the opinion that the decline does not constitute a permanent impairment of value and therefore no valuation adjustment has been recorded.

The largest of the City investment funds is the Ed Tel Endowment Fund, established in 1995, with the investment of $470.2 million in proceeds from the sale of the municipal telephone utility. The objective of the Ed Tel Endowment Fund is to provide a source of income in perpetuity while ensuring that the real purchasing power is maintained. Earnings from the fund are applied under a formula established by City Bylaw. Since inception, the fund has contributed a total of $561.0 million, with dividends of $25.8 million provided from the fund in 2011. Under a financial strategy implemented in 2010, dividends from the Ed Tel Endowment Fund form part of investment earnings directed to fund capital on a pay-as-you-go basis. The fund ended the year with an investment book value of $652.4 million compared to a market value of $590.6 million, with the difference considered a temporary decline.

Additional investments of $234.6 million are managed for trust assets under administration, including City-sponsored pension plans and a long-term disability benefit plan funded by employees. Consistent with public sector reporting requirements, trust assets are excluded from the City reporting entity, as disclosed in Note 23 to the consolidated financial statements.

The City's investment custodian, State Street Trust Company, is responsible for the safekeeping of the City's investments. State Street Trust Company was selected in 2008. A formal review of the City's banking and custodial services is typically completed every seven to ten years.



Investment in Subsidiary - EPCOR

EPCOR builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers. The City applies a modified equity method of accounting and reporting for EPCOR, a wholly-owned subsidiary, as a government business enterprise. Accounting principles of EPCOR are not adjusted to conform to those of the City as a local government and inter-organizational transactions and balances are not eliminated.

EPCOR's 2011 consolidated financial statements have been prepared by EPCOR's management in accordance with International Financial Reporting Standards (IFRS), with restatement of prior periods. For purposes of the City of Edmonton consolidated reporting, the change to adopt IFRS has been reported as a change in 2011 to opening accumulated surplus, without restatement of prior periods.

In 2011, the investment in EPCOR recorded by the City was reduced to $2,351.0 million from $2,465.0 million in 2010, a net decrease of $114.0 million. The decrease is due to a $123.4 million reduction in the opening 2011 accumulated surplus, as a result of EPCOR transitioning to reporting under IFRS, and $138.4 million in dividends provided from EPCOR to the City in 2011. The overall decrease was partially offset by EPCOR's reported net income for the year of $143.6 million as well as a net comprehensive income adjustment of $4.2 million, also reflected as an adjustment directly to accumulated surplus.

In 2009, EPCOR sold substantially all of its power generation assets (net of certain liabilities) to Capital Power for a 72.2 per cent interest in that business. In 2010 and 2011, further dispositions reduced EPCOR's interest in Capital Power to 39.0 per cent at the end of 2011. By reducing its investment in Capital Power, EPCOR is able to focus more on its water supply infrastructure and support continued acquisition of private water firms in Arizona and New Mexico. As a result of restrictive rights, EPCOR has had significant influence but not control of Capital Power. Therefore the equity method is used within EPCOR to account for the investment in Capital Power.

Summary financial information for EPCOR is included in Note 19 to the consolidated financial statements. Additional detail is available directly from the organization, using contact information provided at the back of this Annual Report.

Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance at the end of 2011 of $482.5 million has increased by $40.9 million or 9.3 per cent over the prior year balance of $441.6 million. Note 6 to the consolidated financial statements provides further information on the composition of the balance, with the biggest increase being in payroll and remittance liabilities. All personnel collective agreements expired in latter December 2010 and most contracts remained under negotiation at the end of 2011. Amounts reflecting the best estimates of the expense and liability relating to personnel services to the end of 2011 were accrued. Settlements subsequent to the year-end have generally been consistent with the estimates used.

Deferred Revenue

Deferred revenue is largely made up of government transfer funding received in advance for operating or capital expenses, externally restricted until used for the purpose intended. More recent provincial capital transfer programs have tended to shift more to post-expenditure reimbursement. Deferred revenue of $109.7 million has decreased by $58.7 million over 2010, as capital transfers previously received in advance, were applied.

Debt

The MGA provides limits for debt and debt service costs within a Regulation under section 271. Within that legislative framework, the City further manages its debt under principles and more conservative limits established within the Debt Management Fiscal Policy (DMFP). The policy is intended to support the City's long-term capital plans and strategies, while maintaining long-term financial affordability, flexibility and sustainability. The policy also provides for approval of multi-year debt guidelines with a corresponding debt repayment funding strategy, and added flexibility for the use of freed-up debt servicing funding once debt is retired.

Borrowing completed by the City since 1993 has generally been in the form of amortizing debentures in Canadian dollars administered through the Alberta Capital Finance Authority (ACFA), utilizing the strong debt rating of the Province of Alberta and combined borrowing volumes across Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, eliminating the risk associated with fluctuating interest rates. Payments are made annually or semi-annually.

In 2011, $209.9 million was added through new debenture borrowings and mortgages, of which $119.8 million was for tax-supported debt and $90.1 million was self-liquidating. The City continued to benefit from relatively low interest rates for new borrowing during the year with ranges as follows:

Term	Interest rates (per cent)
10 year	2.31 to 3.14
15 year	2.79 to 3.97
20 year	3.15 to 4.27
25 year	3.25 to 4.31

Net long-term debt of $1,973.8 million at December 31, 2011 was increased by $133.6 million (7.3 per cent) over the 2010 balance. The gross amount of debentures and mortgages payable of $2,389.7 million is offset by $176.7 million in related amounts receivable from EPCOR, and by sinking fund assets for debt retirement of $239.2 million (market value of $246.7 million). The amount receivable from EPCOR relates to debentures issued in the name of the City on behalf of EPCOR prior to 1999, as well as debt relating to the Gold Bar Wastewater Treatment Facility transferred to EPCOR in 2009.

The MGA and related Regulations establish limits for municipal debt levels and annual debt servicing costs. The City's debt limit, as defined by the MGA and related Regulations is two times consolidated revenue net of revenue from subsidiary operations – EPCOR, capital government transfers, and contributed tangible capital assets. Debt servicing costs are not to exceed 35.0 per cent of the same revenues. The City carries levels of debt and debt servicing well below the legislated limit and the limits accessed have remained fairly consistent from 2010 to 2011. Further amounts of borrowing of $925.6 million, beyond the current levels outstanding, have been approved to complete ongoing projects or as part of the overall 2012 – 2014 capital budget.

In addition, up to $796.7 million has been approved in short-term borrowing to fast-track expenditures where the funding from provincial or federal transfers has been deferred. To date, $60 million in five year short-term debt was borrowed in 2010, with interest payable semi-annually and the principal to be paid utilizing the government transfer monies when received in 2015.

Conceptual images for future City Centre Redevelopment Project
(Perkins + Will, Vancouver)

(millions of $)

	2011	2010
MGA debt limit	4,079.0	3,679.5
Total debt limit used	1,973.8	1,840.2
Percentage used (%)	48.4	50.0
MGA debt service limit	713.8	643.9
Total debt service limit used	185.1	172.6
Percentage used (%)	25.9	26.8

The internal DMFP sets more conservative debt servicing limits than those established within the MGA. As per the City's internally set DMFP, the tax-supported debt service limit is 15 per cent of tax-supported revenues, with tax-supported operations for purposes of this calculation as reported within the consolidated financial statements in Schedule 2 – Consolidated Segment Disclosure. The total debt service limit is set within the DMFP at 22 per cent of corporate revenues for the City, with revenues being defined consistently with the MGA debt limit calculation. The following table compares the debt servicing cost (interest and principal) to the limits as established in the City DMFP.

(millions of $)

	2011	2010
DMFP limit – tax supported	245.3	228.8
Tax-supported debt servicing	103.8	108.4
Percentage used (%)	42.3	47.4
DMFP limit – all debt (net)	448.7	404.7
Debt servicing cost	185.1	172.6
Percentage used (%)	41.3	42.6

The City continues to follow a pay-as-you-go funding approach for a significant portion of the capital expenses in tax-supported programs.

Non-Financial Assets

Non-financial assets include tangible capital assets, inventories and other assets, generally to be used to provide future services. Tangible capital assets are assets managed and held for use in production or supply of goods and services, for rental to others, for administrative purposes or for development, construction, maintenance or repair of other tangible capital assets; have economic lives that extend beyond a year; and are not for sale in the ordinary course of operations. Net tangible capital assets of $9,379.9 million have increased by 9.3 per cent compared to the 2010 balance of $8,580.2 million.

The net increase of $799.7 million is a result of the acquisition of and contributions of tangible capital assets of $1,177.3 million, offset by annual amortization and asset disposals. Additions to tangible capital assets were primarily in asset categories of roadways, buildings, land and drainage. Schedule 1 – Consolidated Schedule of Tangible Capital Assets to the financial statements, provides a continuity schedule for the asset cost and the related accumulated amortization by each of the significant asset types.

2011 was the final year of the 2009 to 2011 three year approved capital budget, which was the first three year capital budget approved for the City. 2011 capital additions of $1,177.3, including developer contributed assets, were similar to the $1,151.6 million level of 2010 and continued a substantive program ramped up significantly since 2008. Comparing to a 2011 budget of $1,681.3 million, a number of capital projects did not proceed to the extent planned in the year, due to external commitments outstanding, limitations in industry and internal resource capacity, delays in coordination with partners, changes in project delivery model or project requirements, and timing of land acquisition. These projects will be considered for carry-forward as a part of the 2012 to 2014 three-year capital budget. In total, from 2009 to 2011, $3,270.0 million was completed against an adjusted three-year capital budget of $4,259.0 million, for an overall spend of 76.8 per cent.

A number of large capital projects progressed and continued during the year including the mature neighbourhood rehabilitation program, multi-purpose recreation centres,

North Light Rail Transit (LRT), and strategic land acquisition for future City initiatives such as the downtown arena development project and Southeast to West LRT. Major projects completed during 2009 to 2011 include the 23 Avenue and Gateway Boulevard interchange, Whitemud Drive and Quesnell Bridge rehabilitation, and the Terwillegar Community Recreation Centre.

Accumulated Surplus

The accumulated surplus reflects the net economic resources that have been built up over time for the City of Edmonton. As reflected in Note 15 to the financial statements, the accumulated surplus consists of restricted and unrestricted amounts, including operating surplus, reserves and equity invested in tangible capital assets. The City has maintained a strong accumulated surplus with a total of $10,875.6 million, an increase of 4.8 per cent from the prior year.

As at December 31, 2011 general government operations have an accumulated deficit of $3.6 million and unrestricted excess sinking fund earnings are $3.2 million. Included in the restricted surplus of $3,457.5 million is $2,351.0 million relating to EPCOR, $652.4 million from the Ed Tel Endowment Fund, a combined net accumulated surplus from the enterprise and utility operations of Drainage Services Utility, Land Enterprise, Fleet Services and Waste Management of $175.2 million. $253.7 million has been designated in reserves for future expenditures.

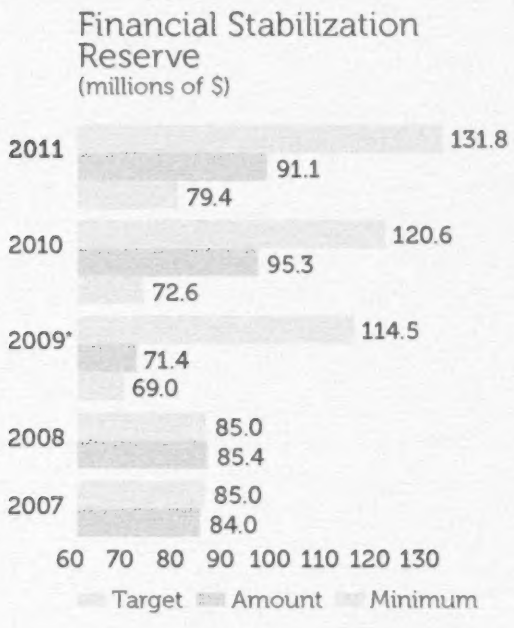
Reserves

The City maintains a City Council-approved policy which directs the establishment and processes with respect to reserves. Initial establishment of reserves, as well as transfers to and from reserves requires the approval of City Council. A review of reserve balances and related policies is completed at a minimum every three years, to ensure reserves continue to support the financial goals and serve the highest priority needs of the City and its citizens. The policy and balances are monitored on an ongoing basis with the next comprehensive review planned for 2012.

A schedule of reserves comprising the $253.7 million 2011 consolidated balance has been provided in Note 14 to the financial statements. The balance increased overall by $35.2 million or 16.1 per cent from the prior year. The reserve balance includes reserves of the Edmonton Public Library Board, Edmonton Economic Development Corporation, and Non-Profit Housing Corporation as approved by the respective Boards.

Of the overall reserve balance, an amount of $91.1 million is held within the unappropriated Financial Stabilization Reserve (FSR). Established in 1997, the intent of the FSR is to provide flexibility to address financial risks associated with revenue instability and unforeseen costs, and to ensure the orderly provision of services to citizens. As an outcome of the 2009 review of reserves, policy changes included establishing a minimum balance for the FSR of 5.0 per cent and a target balance of 8.3 per cent of general government (tax-supported) operating expenses, excluding amortization. The target balance is meant to approximate one month of operating expenditures. Any operating surplus from tax-levy operations is transferred to the FSR at the beginning of the subsequent year, with any excess of the reserve target level then applied evenly in the three subsequent years' operating budgets or to significant one-time operating or capital priorities.

During the year, a transfer from the FSR of $17.7 million was made to partially offset increased snow removal costs resulting from heavier than expected snowfall earlier in the year. The ending FSR balance of $91.1 million will exceed the minimum level of $79.4 million, as set within the policy, but is below the target level of $131.8 million.



*Beginning 2009, target balance 8.3 per cent of tax-supported operating expenses (net of amortization), with a minimum balance of 5.0 per cent of tax-supported operating expenses (net of amortization).

A balance of $43.9 million in a reserve identified as the FSR – appropriated, has been earmarked by City Council for specific future project or program expenses.

During 2011, $10.1 million was transferred to the Current Planning Reserve, reflecting increased permit and fee revenues and reduced administrative and personnel costs. The reserve balance is to be used to offset planning revenue fluctuation, stabilize resources across extended periods of time and fund initiatives to enhance planning service and accountability. $10.0 million was also transferred to the Fleet Services – Vehicle Replacement Reserve to be utilized to fund future vehicle and equipment replacement.

Equity in Tangible Capital Assets

As summarized in Note 13 to the consolidated financial statements, equity in tangible capital assets represents the investment made in tangible capital assets, after deducting the amount financed by net outstanding long-term debt. An increase of $664.4 million for 2011, as a result of the net acquisition of tangible capital assets partially offset by net additional debt, brings the ending balance of Equity in Tangible Capital Assets for the year to $7,463.4 million.

Advances For Construction (Capital to be Financed)

$45.0 million of capital expenditures completed to the end of 2011 require future funding. This compares to $52.3 million of funding in place at the end of 2010 where expenditures had not yet proceeded – an overall shift of $97.3 million.

During 2011, additional cash was advanced to purchase land for future capital projects such as the Southeast to West LRT, in order to ensure that the property is available when required. The cumulative $220.9 million of land purchased in advance of funding more than offsets the $93.4 million of pay-as-you-go being carried forward to fund previously approved expenditures not yet completed and developer contributions to be applied in future of $56.2 million. Other capital to be funded at year-end relates to capital leases for computer and phone equipment and photo radar equipment where revenues from the program in future periods are expected to fund the assets.

Financial Operations

The Consolidated Statement of Financial Operations and Accumulated Surplus outlines revenues collected by the City and their application (expenses) to provide municipal services.

Total 2011 consolidated revenues of $2,137.4 million increased by 10.3 per cent over those collected in 2010. Revenues are greater than budget by $109.5 million, or 5.4 per cent of the revenue budget primarily due to greater than expected investment revenues, primarily in the Ed Tel Endowment Fund.

Waste Wizard
Packages Shapes
Use the Right Can

Expenses of $2,178.3 million were generally managed within the approved budget, with savings from deferred hiring, reduced debt servicing costs and amortization from deferred capital expenditures, partially offset by increased expenses to address snow and ice control.

(millions of $)	
Operating Revenues	
2011 actual	2,137.4
2010 actual	1,938.6
Variance	198.8
% variance	10.3

Operating Expenses	
2011 actual	2,178.3
2010 actual	2,016.4
Variance	161.9
% variance	8.0

The overall operating revenues increase of $198.8 million over the prior year is primarily due to an increase of $66.3 million in taxation revenues from a combined rate increase and growth, $49.5 million in increased user fees and sale of goods and services, $59.8 million in investment earnings, and smaller net increases totaling $23.2 million across other revenue sources.

Operating expenditure increases of $162.0 million over the prior year related to increases to personnel costs of $69.6 million, $55.4 million in additional materials, goods and supplies, $30.3 million for additional amortization expense relating to tangible capital assets and $6.7 million across other expense categories. Additional resources were required to maintain and operate new recreation facilities that opened during the year, as well as increased snow removal costs for the heavy snowfall in early 2011.

Capital revenues increased over the prior year by $91.5 million, mainly due to government transfers for capital of $487.2 million, greater than the prior year by $97.4 million. Certain projects funded through government grants, such as the North LRT, progressed significantly during the year.

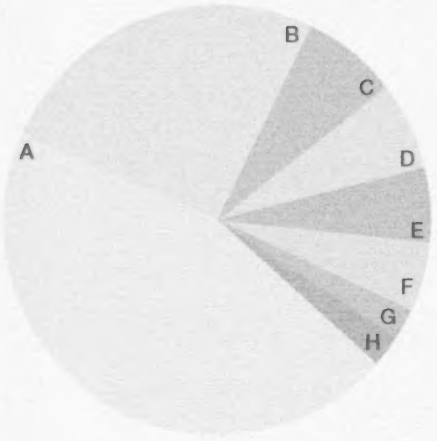
(millions of $)	
Capital Revenues	
2011 actual	654.6
2010 actual	563.1
Variance	91.5
% variance	16.2

Capital Revenues	
2011 actual	654.6
2011 budget	873.9
Variance	(219.3)
% variance	(25.1)

The majority of the $219.3 million variance between the budget and actual capital revenue for government transfers in 2011 is generally due to timing delays around project expenditures, and therefore the timing in recognition of the related government transfer revenue. Certain of the developer contributions anticipated for the year were deferred.

Schedule 2 to the financial statements, Consolidated Segment Disclosures, provides an analysis of revenues and expenses (by object) for each of the significant business groupings within the reporting entity. Note 24 to the financial statements outlines each of the segments.

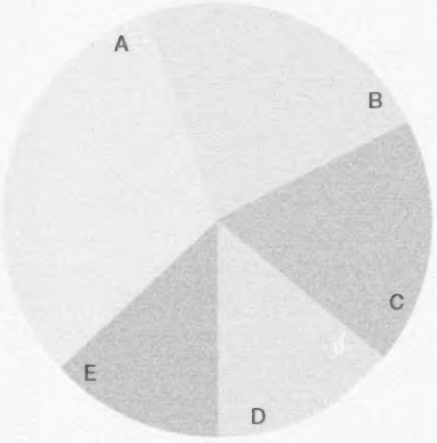
Consolidated revenues exceeded expenses for the year by $613.6 million after accounting for government transfers for capital, developer and customer contributions for capital, and developer contributed tangible capital assets.



Operations – Source of Revenue

(millions of $)

	$	%
A. Taxation	963.3	45.1
B. User fees and sale of goods and services	545.4	25.5
C. Investment earnings	158.0	7.4
D. Subsidiary operations – EPCOR	143.7	6.7
E. Franchise fees	114.8	5.4
F. Government transfers – operating	113.1	5.3
G. Licenses and permits / other	50.0	2.3
H. Fines and penalties	48.6	2.3
I. Developer and customer contributions	0.5	-
	2,137.4	100.0



Operations – Distribution of Expenses

(millions of $)

	$	%
A. Transportation services	689.9	31.7
B. Protective services	500.9	23.0
C. Community services	393.3	18.1
D. Utility and enterprise services	312.9	14.3
E. Corporate administration, general municipal and other	281.3	12.9
	2,178.3	100.0

Financial Control and Accountability

The City maintains the following processes to ensure appropriate financial controls and accountability are maintained and to take a proactive approach to identify and address financial challenges.

Planning and Budgeting Process

Based on input provided from thousands of citizens, City Council approved *The Way Ahead: City of Edmonton Strategic Plan 2009-2018* in July 2008, which was updated in 2011. The strategic plan was developed to help the City establish priorities and make informed decisions to improve the quality of life for citizens now and in the future. The plan moves the City toward a 30-year vision by establishing 10-year strategic goals. Ongoing public involvement assists City Council with refining short-term priorities to meet changing economic situations and emerging needs.

Six directional plans are intended to integrate and guide the City's work to achieve each of the strategic goals: The Way We Live, The Way We Green, The Way We Grow, The Way We Move, The Way We Prosper and The Way We Finance. Corporate outcomes were set by Council in July 2010 to help bridge operational activities, programs, and services of the City with the 10-year strategic goals outlined by City Council in *The Way Ahead*. Corporate outcomes set out the results the corporation is striving for and collectively serve as a roadmap demonstrating how the operations of the City align to the City's strategic plan. More detailed implementation plans are being developed.

Edmonton's operating budget lays out the revenues and expenses planned for the following year to deliver city services, using a program-based approach focused on service delivery and advancement towards the City's long-term goals. From year to year, new services may be created when City Council identifies a clear need. Services may be enhanced or reduced to more closely align with goals and outcomes, or due to costs or other factors.

City Council and administration are committed to public consultation during the development and review of the annual budget. Edmontonians provide valuable input on operational issues using a variety of channels including comments through the City's online reporting tools, calls to 311, public consultation on specific programs, contact directly with the Mayor and Councillors throughout the year, and through the budget public hearing.

A separate three-year capital budget determines the investment in Edmonton's hard infrastructure: the construction of buildings like recreation centres, transportation assets like LRT lines and bridges, and for underground infrastructure like sewage systems. 2011 was the last year of a City Council-approved three-year capital budget, developed based on the capital priorities and funding identified in the 10-year 2008 – 2017 Capital Investment Agenda. Two supplementary capital budget adjustments were completed in 2011, to address emerging priorities and reflect project expenditure, timing or funding changes.

More detailed information on the planning and budgeting process is available on-line in the 2011 Approved Operating Budget Executive Summary.

Accounting and Performance Reporting Process

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. The City utilizes a shared services model for financial services. All business areas reporting to the City Manager share a common accounting and reporting system, and financial and accounting services are administered within Financial Services and delivered to each business area based on their needs.

The Edmonton Public Library Board, Edmonton Police Services, Non-Profit Housing Corporation, Vehicle for Hire Commission and Edmonton Combative Sports Commission utilize the common accounting system but report through their Board or Commission. EPCOR and Edmonton Economic Development Corporation each have independent accounting systems and report through their respective Boards.

Monthly operating performance reports for areas reporting to the City Manager are reviewed administratively, comparing year-to-date revenues and expenses as well as projections to the end of the fiscal year to budget. Quarterly operating reporting is provided to City Council along with recommendations for strategies to address opportunities and challenges. Capital reporting and projections are reviewed with City Council for second, third and fourth quarters.

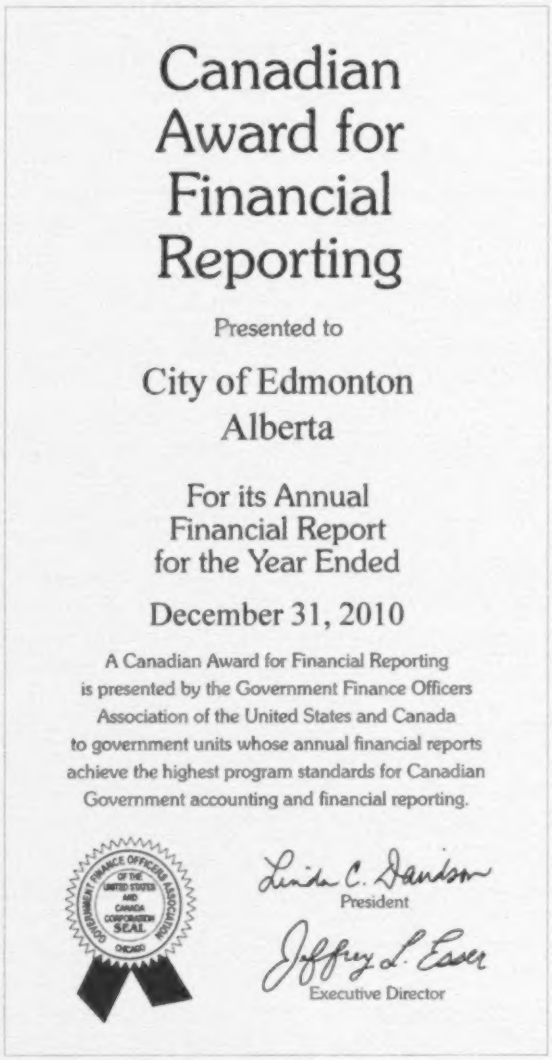
Recognition for Achievements

Award programs in the financial area continue to recognize the City of Edmonton for a high standard of achievement.

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a **Canadian Award for Financial Reporting** to the City of Edmonton for its annual financial report for the fiscal year ended December 31, 2010. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. This is the eighteenth consecutive year that the City of Edmonton has received this award. We believe this 2011 Annual Report continues to conform to the Canadian Award for Financial Reporting program requirements and we will be submitting it to the GFOA for consideration and feedback.


Canadian Award for Financial Reporting
Presented to
City of Edmonton
Alberta
For its Annual Financial Report for the Year Ended
December 31, 2010
A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units whose annual financial reports achieve the highest program standards for Canadian Government accounting and financial reporting.
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO
Linda C. Davidson
President
Jeffrey L. Esser
Executive Director

For the twelfth consecutive year, an **Achievement of Excellence in Procurement Award** was presented to the City of Edmonton from the National Purchasing Institute. This prestigious international award recognizes excellence in public procurement, measuring the innovation, professionalism, productivity and leadership attributes of public sector organizations. The City of Edmonton was the only Canadian government organization to receive this award for 2011.

Auditing Process

The MGA requires municipal councils to appoint an independent auditor. In 2010, a tender for audit services was completed and City Council appointed the firm of KPMG LLP, Chartered Accountants, as external auditor for a five-year term. The auditor must report to City Council on the annual consolidated financial statements. External audits are also completed for the Provincial Financial Information Return information and for each of the pension and benefit plans administered by the City. Certain government transfer programs also require external audit.

An Audit Committee has been established as a Committee of Council to assist in fulfilling its oversight responsibilities. The Committee includes the Mayor, four Councillors and two public members as outlined under Bylaw 15310, *Audit Committee Bylaw*. Audit Committee reviews the consolidated financial statements and makes recommendation to City Council for the approval of the statements.

The City has an internal audit function independent of the City Administration. The Office of the City Auditor reports directly to City Council through Audit Committee, empowered by Bylaw 12424, *City Auditor*. This bylaw establishes the position of City Auditor and delegates powers, duties, and functions to this position. The City Auditor has two roles:

- Agent of Change Role – to conduct proactive and forward looking projects based on the provision of strategic, risk and control related consulting services to better serve the changing needs of the corporation and bring about improvement in program performance; and
- Guardian Role – to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

2012 Budget

In mid 2011, Council directed administration to prepare the 2012 operating budget with a tax increase target of 4.5 per cent, with 1.5 per cent for the continuation of the Neighbourhood Renewal Program and 3.0 per cent for civic operations. To achieve this target, administration undertook a service and budget review which resulted in a net reduction of the projected 2012 tax funding requirement of $43.7 million. This funding reduction was achieved through a combination of revenue and expenditure strategies. The service and budget review strategies for 2012 allowed for a reallocation of funding to new service packages that advance the Ways while still meeting the target tax rate increase. From the savings that were also identified, a total of $8.2 million was made available for Council to reallocate, both on a one-time and an ongoing basis. City Council approved the 2012 operating budget in December 2011, including a 3.89 per cent increase in the property tax levy plus 1.5 per cent specifically directed to continue the Neighbourhood Renewal Program.

The Bylaw to set the 2012 municipal tax for all property types (including commercial and industrial) will be set by City Council in April 2012. Changes to the operating budget which impact the tax levy may be completed prior to the Bylaw approval. Property taxes are one of the funding sources used to provide the services and infrastructure approved in the budget. The budget also includes selected increases in user fees for various municipal services including transit fares, various recreational facility fees, and permit fees.

The 2012 to 2014 capital budget was approved by Council in December 2011, based on capital priorities and funding identified in the 10-year 2012 – 2021 Capital Investment Agenda. The 2012 capital budget constitutes the first year of City Council's three-year (2012 – 2014) capital budget approval. The level of spending in the last three years accelerated key growth projects and focused aggressively on maintaining existing infrastructure. The City will continue to advance important projects but at a reduced level of investment. The 2012 to 2014 capital budget approved $2,938.1 million in new capital projects, with about 54 per cent for growth projects and 46 per cent for renewal.

Projects will replace the century-old Walterdale bridge, reconstruct and maintain older communities through the Neighbourhood Renewal Program, purchase land for the future Southeast to West LRT, continue arterial roadwork, fund the construction of various City facilities, and revitalize the downtown core through initiatives such as the Quarters redevelopment.

The 2012 operating budget includes an increase in property taxes of 0.75 per cent in 2012, to service debt on three major projects included in the 2012 – 2014 Capital Budget – the Walterdale Bridge, the new Northwest Police Campus, and Southeast to West LRT land purchases – and to provide additional funding for Council's priority projects. A further increase is anticipated of 0.70 per cent in 2013 and 0.67 per cent in 2014.

Long-Term Sustainability and Risk Management

As with any municipality there are constant pressures in providing services and service enhancements at a reasonable and affordable cost, balancing the investment between infrastructure growth and renewal projects, and ensuring risks are properly managed. A number of strategies are in place or being developed to address the ongoing operating and capital funding gaps to ensure the long-term sustainability of the City.

The Way We Finance is under development as one of the six corporate directional plans that set the course for the City to achieve its 10-year goals and ultimately the City vision. The plan will outline guiding principles to ensure continued sound fiscal management and long term financial sustainability.

Integral to achieving financial sustainability is continued development of a comprehensive Enterprise Risk Management Framework. A number of significant risk management activities are undertaken across the corporation. For instance, a corporate Risk Management area provides risk management advice, claims adjusting, purchase of insurance and completes risk control inspections.

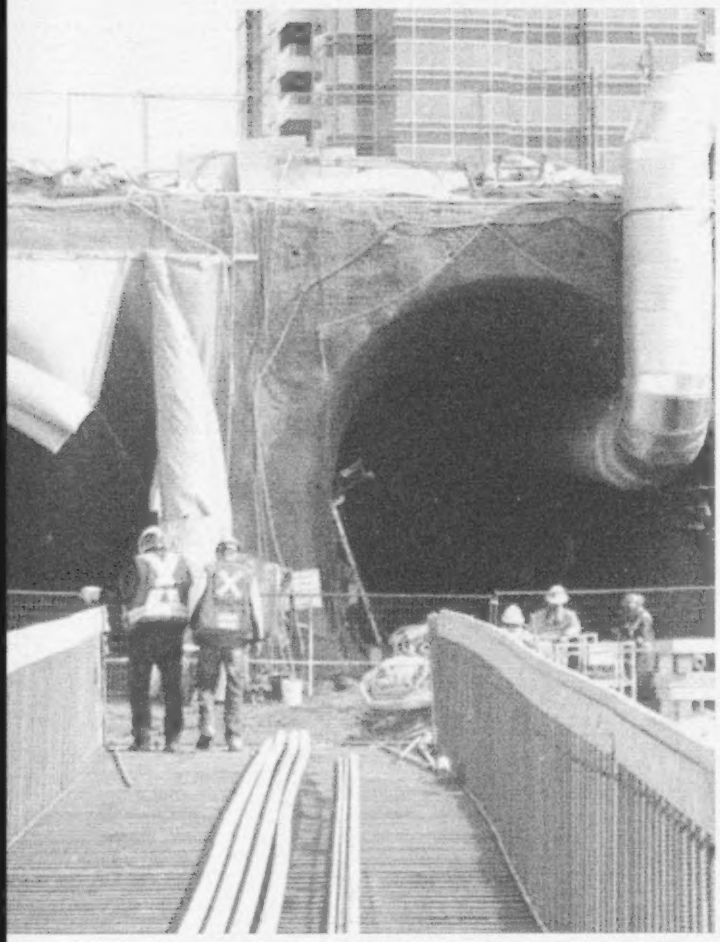
Environmental risks are monitored through the Contaminated Gas Stations Task Force and through the use of Envisio – the City's environmental management system that aids effective management of environmental risks and responsibilities. Work is underway to develop a more comprehensive framework, employ best practices and implement Enterprise Risk Management at an increased level of maturity across the City.

In 2009, the City of Edmonton initiated the Service and Budget Review program to address the shortfall in revenue due to a change in economic conditions and ultimately to bridge the gap between revenues and costs. The process which continued in 2011 and 2012 resulted in a further $94.3 million reduction in projected tax funding requirements. The City continues to consider any opportunities to place less reliance on residential property tax in order to fund infrastructure and service needs. Detailed reviews of program expenditures and requirements have started in advance of guideline setting for the 2013 budget.

City Council's utility fiscal policies which govern the financial relationship between the City and each of the municipally owned or operated utilities were updated in 2011. These policies require each utility to charge sufficient rates to recover all operating costs, repay capital debt, and earn a return on the City's equity investment. The policies also require the sanitary and land drainage utilities to pay the City a franchise fee on utility revenue. The City's waste management utility is exempt from paying a franchise fee to the City.

The economic downturn in recent years impacted provincial government revenues and resulted in a deferral of capital transfer funding to the City. Capital budgets were reviewed with the decision to utilize a level of short-term borrowing to continue to fund capital priorities and take advantage of low interest rates and the favourable construction market. Principal payments at the end of five years will be funded from the government transfers.

The City continues to work collaboratively within the Capital Region to develop and move forward collective goals and priorities.

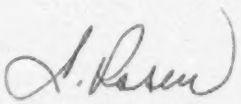


Conclusion

Edmonton's economy remains buoyant and leads the nation in several aspects, even while financial challenges slow activity in many other parts of the world. A 4.7 per cent 2012 projected gross domestic product, the market value of all goods and products produced in the Edmonton region, soars above the national forecast of 2.0 per cent.

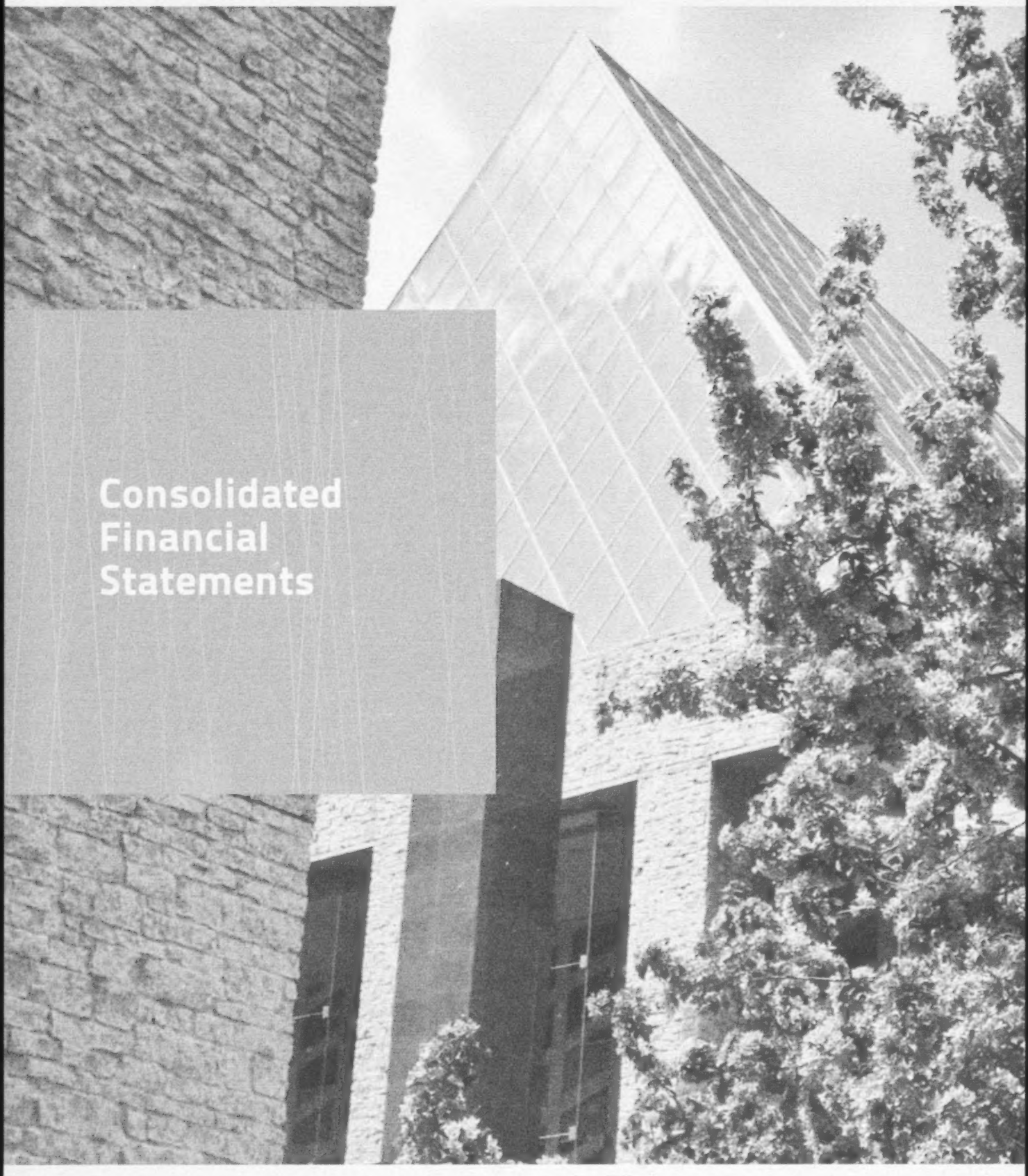
In June 2011, Standard & Poor's affirmed their rating of the City of Edmonton as AA+/Stable based on a strong economy, an exceptional-though-declining level of liquid assets, and adequate operating margins. In September 2011, DBRS confirmed the City of Edmonton's long-term credit rating at AA (high)/Stable, citing prudent financial management, sizeable investment holdings, and a strong growth outlook. The volatility in investment earnings and the increasing debt level are viewed as a challenge going forward.

The directional plans (the Ways) for the City are ambitious and exciting, including LRT expansion, downtown revitalization, redevelopment of the City Centre airport lands, bridge construction, and maintained emphasis on neighbourhood renewal. The City will continue to be challenged to manage competing financial needs as the major centre for the region, while maintaining existing services and addressing the service and infrastructure needs associated with the growth internally. The City's long-term financial plan, *The Way We Finance*, will outline guiding principles to ensure continued sound fiscal management and long-term financial sustainability.



Lorna Rosen, CMA
Chief Financial Officer and City Treasurer

April 26, 2012



Consolidated Financial Statements

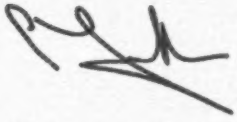
Management's Responsibility for Financial Reporting

Management of the City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards, as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls including written policies, directives and procedures. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, and that assets are properly accounted for and safeguarded.

The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the consolidated financial statements.

The consolidated financial statements have been audited by the independent firm of KPMG LLP, Chartered Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.



S. Farbrother, MCIP, RPP, MA,
City Manager

Lorna Rosen, CMA
Chief Financial Officer and City Treasurer

April 26, 2012

Independent Auditors' Report

To His Worship the Mayor and Members of Council of the City of Edmonton

We have audited the accompanying consolidated financial statements of the City of Edmonton (the City), which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the City as at December 31, 2011, and its consolidated results of operations, the consolidated changes in its net financial assets, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

April 26, 2012
Edmonton, Canada

Consolidated Statement of Financial Position

December 31, 2011 (in thousands of dollars)

	2011	2010
Financial Assets		
Cash and temporary investments (Note 2)	$ 1,730	$ 92,399
Receivables:		
Taxes receivable	41,010	46,286
Trade and other receivables	292,703	252,740
Investments (Note 3)	1,346,394	1,379,322
Debt recoverable (Note 4)	57,271	59,108
Land for resale	138,150	87,454
Investment in EPCOR (Note 19)	2,351,024	2,464,951
	4,228,282	4,382,260
Liabilities		
Promissory notes payable (Note 5)	59,862	19,966
Accounts payable and accrued liabilities (Note 6)	482,492	441,551
Deposits	30,030	29,586
Deferred revenue (Note 7)	109,705	168,439
Employee benefit obligations (Note 8)	123,815	121,311
Landfill closure and post-closure care (Note 9)	19,289	20,042
Long-term debt (Note 10)	1,973,819	1,840,233
	2,799,012	2,641,128
Net Financial Assets	1,429,270	1,741,132
Non-financial Assets		
Tangible capital assets (Note 11)	9,379,944	8,580,171
Inventory of materials and supplies	33,150	30,215
Other assets (Note 12)	33,201	29,626
	9,446,295	8,640,012
Accumulated Surplus (Note 15)	$ 10,875,565	$ 10,381,144

Commitments and contingent liabilities (Notes 21 and 22)

See accompanying notes to consolidated financial statements.

Approved on behalf of City Council:

Stephen Mandel

Mayor Stephen Mandel

Karen Leibovici

Councillor Karen Leibovici

Consolidated Statement of Operations and Accumulated Surplus

For the year ended December 31, 2011 (in thousands of dollars)

	Budget (Unaudited)	2011	2010
Revenues			
Net taxes available for municipal purposes (Note 16)	$ 963,939	**$ 963,307**	$ 897,048
User fees and sale of goods and services	531,351	**545,391**	495,883
Investment earnings	55,362	**157,951**	98,129
Subsidiary operations – EPCOR (Note 19)	127,114	**143,656**	132,955
Franchise fees	113,096	**114,805**	103,266
Government transfers – operating (Note 17)	132,176	**113,148**	118,618
Licenses and permits	42,365	**50,041**	40,777
Fines and penalties	62,411	**48,610**	51,820
Developer and customer contributions – operating		**454**	149
	2,027,814	**2,137,363**	1,938,645
Expenses			
Transportation services:			
Bus and light rail transit	364,432	**350,479**	324,778
Roadway and parking	389,612	**339,431**	299,799
	754,044	**689,910**	624,577
Protective services:			
Police	312,420	**310,946**	292,496
Fire Rescue	162,880	**161,024**	155,845
Bylaw enforcement	31,813	**28,896**	27,431
	507,113	**500,866**	475,772
Community services:			
Parks and recreation	178,740	**176,287**	139,176
Community and family	37,991	**38,446**	46,377
Edmonton Public Library Board	44,303	**48,515**	44,667
Planning	60,376	**59,104**	34,256
Convention and tourism	33,602	**36,314**	35,410
Public housing	47,636	**34,646**	37,888
	402,648	**393,312**	337,774
Utility and enterprise services:			
Waste Management	144,286	**130,825**	125,445
Drainage Services	104,623	**106,924**	106,626
Fleet Services	13,047	**56,204**	44,231
Land	21,789	**18,913**	13,182
	283,745	**312,866**	289,484
Corporate administration	167,201	**157,319**	162,914
General municipal	105,704	**100,032**	106,722
Tax appeals and allowances	6,500	**10,217**	7,147
Pension adjustments and other	7,988	**13,814**	11,981
	2,234,943	**2,178,336**	2,016,371
Shortfall of Revenues over Expenses before other	(207,129)	**(40,973)**	(77,726)
Other:			
Government transfers – capital (Note 17)	607,295	**487,155**	389,776
Developer contributed tangible capital assets (Note 11)	215,467	**121,608**	139,281
Developer and customer contributions – capital	51,113	**45,794**	34,077
Excess of Revenues over Expenses	666,746	**613,584**	485,408
Accumulated Surplus, beginning of year	10,381,144	**10,381,144**	9,897,838
Subsidiary operations – EPCOR – transition adjustments upon IFRS adoption (Note 19)		**(123,404)**	
Subsidiary operations – EPCOR – net comprehensive income adjustment (Note 19)		**4,241**	(2,102)
Accumulated Surplus, end of year	$ 11,047,890	**$ 10,875,565**	$ 10,381,144

See accompanying notes to consolidated financial statements.

Consolidated Statement of Change in Net Financial Assets

For the year ended December 31, 2011 (in thousands of dollars)

	Budget (Unaudited)	2011	2010
Excess of Revenues over Expenses	$ 571,285	**$ 613,584**	$ 485,408
Acquisition of tangible capital assets	(1,465,802)	**(1,055,729)**	(1,012,341)
Contributed tangible capital assets	(215,467)	**(121,608)**	(139,281)
Proceeds on disposal of assets		**3,786**	3,299
Amortization of tangible capital assets	459,380	**359,254**	328,943
Net loss on disposal/replacement of tangible capital assets		**14,524**	9,529
	(1,221,889)	**(799,773)**	(809,851)
Net acquisition of inventory of materials and supplies		**(2,935)**	(447)
Net (acquisition) use of other assets		**(3,575)**	13,281
		(6,510)	12,834
Subsidiary operations – EPCOR – transition adjustments upon IFRS adoption		**(123,404)**	
Subsidiary operations – EPCOR – net comprehensive income adjustment		**4,241**	(2,102)
		(119,163)	(2,102)
Decrease in Net Financial Assets	(650,604)	**(311,862)**	(313,711)
Net Financial Assets, beginning of year	1,741,132	**1,741,132**	2,054,843
Net Financial Assets, end of year	$ 1,090,528	**$ 1,429,270**	$ 1,741,132

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2011 (in thousands of dollars)

	2011	2010
Net inflow (outflow) of cash and temporary investments:		
Operating Activities		
Excess of revenues over expenses	$ 613,584	$ 485,408
Add (deduct) items not affecting cash:		
Subsidiary operations – EPCOR	(143,656)	(132,955)
Amortization of tangible capital assets	359,254	328,943
Net loss on disposal/replacement of tangible capital assets	14,524	9,529
Developer contributed tangible capital assets	(121,608)	(139,281)
Change in non-cash items:		
Taxes receivable	5,276	(8,805)
Trade and other receivables	(39,963)	(41,424)
Debt recoverable	1,837	1,757
Land for resale	(50,696)	(12,690)
Inventory of materials and supplies	(2,935)	(447)
Other assets	(3,575)	13,281
Accounts payable and accrued liabilities	40,941	64,786
Deposits	444	4,699
Deferred revenue	(58,734)	(86,873)
Employee benefit obligations	2,504	6,268
Landfill closure and post-closure care	(753)	(973)
	616,444	491,223
Capital Activities		
Acquisition of tangible capital assets	(1,055,729)	(1,012,341)
Proceeds on disposal of tangible capital assets	3,786	3,299
	(1,051,943)	(1,009,042)
Investing Activities		
Dividend from subsidiary (Note 19)	138,420	135,786
Net decrease in investments	32,928	5,922
	171,348	141,708
Financing Activities		
Promissory notes issued	149,636	149,870
Repayment of promissory notes	(109,740)	(129,904)
Debenture borrowings	209,869	396,791
Repayment of long-term debt	(76,283)	(65,277)
	173,482	351,480
Decrease in cash and temporary investments	(90,669)	(24,631)
Cash and temporary investments, beginning of year	92,399	117,030
Cash and temporary investments, end of year	$ 1,730	$ 92,399

Operating activities for 2011 include $34,688 of interest received and $87,290 of interest paid. For 2010, interest of $39,900 was received and $75,988 was paid.

See accompanying notes to consolidated financial statements.

Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended December 31, 2011 (in thousands of dollars)

	Opening Balance	Additions	Disposals	Closing Balance
Cost				
Land	$ 939,737	$ 171,320	$ (183)	**$ 1,110,874**
Land improvements	655,327	60,129	(5,936)	**709,520**
Buildings	1,070,786	286,657	(337)	**1,357,106**
Machinery and equipment	536,802	85,512	(15,013)	**607,301**
Vehicles	784,354	49,162	(21,329)	**812,187**
Engineered structures				
Roadway system	5,131,507	448,502	(116,295)	**5,463,714**
Drainage system	2,267,038	140,325		**2,407,363**
Light rail transit	784,888	60,917	(37,043)	**808,762**
Waste	154,105	2,406		**156,511**
Bus system	114,552	20,354	(169)	**134,737**
Other	11,204	2,799	(64)	**13,939**
	12,450,300	1,328,083	(196,369)	**13,582,014**
Assets under construction	1,284,695	(150,746)		**1,133,949**
	13,734,995	1,177,337	(196,369)	**14,715,963**
Accumulated Amortization				
Land improvements	301,770	18,020	(5,936)	**313,854**
Buildings	601,889	32,744	(88)	**634,545**
Machinery and equipment	312,215	51,017	(14,841)	**348,391**
Vehicles	290,119	48,457	(18,032)	**320,544**
Engineered structures				
Roadway system	2,738,043	144,969	(110,594)	**2,772,418**
Drainage system	505,904	31,605		**537,509**
Light rail transit	270,592	18,940	(28,338)	**261,194**
Waste	87,057	7,736		**94,793**
Bus system	44,205	5,053	(169)	**49,089**
Other	3,030	713	(61)	**3,682**
	5,154,824	359,254	(178,059)	**5,336,019**
Net Book Value	$ 8,580,171	$ 818,083	$ (18,310)	**$ 9,379,944**

Additions to assets under construction are reported net of those tangible capital assets placed into service during the year, which are shown in their respective asset classifications.

See accompanying notes to consolidated financial statements.

Schedule 2 - Consolidated Schedule of Segment Disclosures (Note 24)

For the year ended December 31, 2011 (in thousands of dollars)

	Tax-supported											
	Transportation Services	Protective Services	Community Services	Other Tax-Supported	Total	Drainage Services	Waste Management	Fleet Services	Land Enterprise	EPCOR	Other	2011 Consolidated
Revenues												
Net taxes available for municipal purposes	$	$	$	$ 963,307	$ 963,307	$	$	$	$	$		**$ 963,307**
User fees and sales of goods and services	137,095	26,577	76,904	9,533	250,109	112,408	129,077	10,530	34,845		8,422	**545,391**
Investment earnings	1		1,016	64,407	65,424	498	372	1,752	103		89,802	**157,951**
Subsidiary operations – EPCOR										143,656		**143,656**
Franchise fees				120,105	120,105	(5,300)						**114,805**
Government transfers – operating	3,747	23,849	40,384	44,396	112,376	3		287			482	**113,148**
Licenses and permits	615	139	39,323	9,139	49,216						825	**50,041**
Fines and penalties		29,833	969	17,808	48,610							**48,610**
Developer and customer contributions – operating			138		138		11				305	**454**
Appropriation of earnings				25,799	25,799						(25,799)	
	141,458	80,398	158,734	1,254,494	1,635,084	107,609	129,460	12,569	34,948	143,656	74,037	**2,137,363**
Expenses												
Salaries, wages and benefits	257,983	393,187	180,393	169,447	1,001,010	54,591	30,018	59,799	1,625		2,488	**1,149,531**
Materials, goods and utilities	94,075	25,464	51,239	22,334	193,112	10,745	8,922	53,010	11,990		3,924	**281,703**
Contracted and general services	99,558	70,437	61,091	6,423	237,509	(8,878)	66,787	(99,298)	4,819		5,353	**206,292**
Interest and bank charges	43,377	704	16,873	3,462	64,416	14,320	9,476	1,480	(107)		792	**90,377**
Grants and other		438	55,663	20,524	76,625	(318)		47	300		1	**76,655**
Amortization of tangible capital assets	180,217	10,501	28,401	45,378	264,497	36,564	15,408	41,243	286		1,256	**359,254**
Loss (gain) on disposal/replacement of tangible capital assets	14,700	135	(348)		14,487	(100)	214	(77)				**14,524**
	689,910	500,866	393,312	267,568	1,851,656	106,924	130,825	56,204	18,913		13,814	**2,178,336**
Excess (shortfall) of Revenues over Expenses before other	(548,452)	(420,468)	(234,578)	986,926	(216,572)	685	(1,365)	(43,635)	16,035	143,656	60,223	**(40,973)**
Other												
Government transfers – capital	420,196	19,554	27,260	12,984	479,994	3,928	1,475	1,758				**487,155**
Developer contributed tangible capital assets	45,645	39	21,974	2,951	70,609	50,999						**121,608**
Developer and customer contributions – capital	13,757	267	8,166	1,430	23,620	22,174						**45,794**
Excess (shortfall) of Revenues over Expenses	$ (68,854)	$(400,608)	$ (177,178)	$ 1,004,291	$ 357,651	$ 77,786	$ 110	$ (41,877)	$ 16,035	$ 143,656	$ 60,223	**$ 613,584**

See accompanying notes to consolidated financial statements.

Schedule 2 - Consolidated Schedule of Segment Disclosures (Note 24)

For the year ended December 31, 2010 (in thousands of dollars)

	Tax-supported											
	Transportation Services	Protective Services	Community Services	Other Tax-Supported	Total	Drainage Services	Waste Management	Fleet Services	Land Enterprise	EPCOR	Other	2010 Consolidated
Revenues												
Net taxes available for municipal purposes	$	$	$	$ 897,048	$ 897,048	$	$	$	$	$	$	**$ 897,048**
User fees and sales of goods and services	126,246	25,251	64,556	19,438	235,491	104,102	117,323	11,447	20,109		7,411	**495,883**
Investment earnings	1		3,739	46,245	49,985	499	337		96		47,212	**98,129**
Subsidiary operations – EPCOR										132,955		**132,955**
Franchise fees				108,382	108,382	(5,116)						**103,266**
Government transfers – operating	3,217	22,908	45,959	45,687	117,771	2	75	250			520	**118,618**
Licenses and permits	378	209	39,424		40,011						766	**40,777**
Fines and penalties		35,006	937	15,877	51,820							**51,820**
Developer and customer contributions – operating			48		48	25					76	**149**
Appropriation of earnings				24,698	24,698						(24,698)	
	129,842	83,374	154,663	1,157,375	1,525,254	99,512	117,735	11,697	20,205	132,955	31,287	**1,938,645**
Expenses												
Salaries, wages and benefits	238,654	376,256	156,153	170,598	941,661	53,722	27,404	54,332	83		2,762	**1,079,964**
Materials, goods and utilities	48,685	23,907	42,819	24,212	139,623	10,277	7,454	55,890	9,182		3,898	**226,324**
Contracted and general services	116,245	64,509	36,500	26,245	243,499	(9,612)	66,394	(96,961)	3,134		3,407	**209,861**
Interest and bank charges	38,657	753	13,186	3,293	55,889	12,937	9,239	2,248	541		894	**81,748**
Grants and other			62,069	12,966	75,035	5,807		(847)			7	**80,002**
Amortization of tangible capital assets	171,639	9,727	27,653	39,916	248,935	33,495	14,955	30,303	242		1,013	**328,943**
Loss (gain) on disposal/replacement of tangible capital assets	10,697	620	(606)	(447)	10,264		(1)	(734)				**9,529**
	624,577	475,772	337,774	276,783	1,714,906	106,626	125,445	44,231	13,182		11,981	**2,016,371**
Excess (shortfall) of Revenues over Expenses before other	(494,735)	(392,398)	(183,111)	880,592	(189,652)	(7,114)	(7,710)	(32,534)	7,023	132,955	19,306	**(77,726)**
Other												
Government transfers – capital	281,049	11,849	75,437		368,335	7,443	6,444	1,151			6,403	**389,776**
Developer contributed tangible capital assets	59,883		29,118	2,605	91,606	47,668		7				**139,281**
Developer and customer contributions – capital	4,565	367	10,235	1,628	16,795	17,282						**34,077**
Excess (shortfall) of Revenues over Expenses	$ (149,238)	$ (380,182)	$ (68,321)	$ 884,825	$ 287,084	$ 65,279	$ (1,266)	$ (31,376)	$ 7,023	$ 132,955	$ 25,709	**$ 485,408**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2011 (in thousands of dollars)

The City of Edmonton (the City) is a municipality in the Province of Alberta, Canada and operates under the provisions of the *Municipal Government Act*, R.S.A., 2000, c. M-26, as amended (MGA).

1. Significant Accounting Policies

The consolidated financial statements (the financial statements) of the City are prepared by management in accordance with Canadian public sector accounting standards. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The financial statements reflect the revenues, expenses, assets, liabilities and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported departments, they include the following:

Edmonton Public Library Board
Edmonton Economic Development Corporation
Drainage Services Utility (Sanitary Drainage Services, Stormwater Drainage Services and Drainage Design and Construction)
Waste Management
Fleet Services
Land Enterprise (Land Development and Municipal Land Use Property)
Ed Tel Endowment Fund
The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)
Vehicle for Hire Commission
Fort Edmonton Management Company
Edmonton Combative Sports Commission

Interdepartmental and inter-organizational transactions are eliminated.

EPCOR Utilities Inc. (EPCOR), a subsidiary corporation of the City, is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for a government business enterprise (Note 19). Under the modified equity basis, the government business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income (loss) due to fair value adjustments is reported on the Consolidated Statement of Operations and Accumulated Surplus as an adjustment to Accumulated Surplus and to the Investment in EPCOR.

The financial statements exclude trust assets under administration for the benefit of external parties (Note 23).

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenues are accounted for in the period in which they are earned and measurable. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Property tax revenue is based on market value assessments determined in accordance with the MGA. Tax mill rates are established annually. Taxation revenues are recorded at the time tax billings are issued. Assessments are subject to appeal. A provision has been recorded in accounts payable and accrued liabilities for potential losses on assessment appeals outstanding at December 31. Expenses related to tax appeals and allowances are separately disclosed in the Consolidated Statement of Operations and Accumulated Surplus.

Government transfers to the City are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made. Prior to that time, any amounts received, along with restricted interest thereon is recorded as deferred revenue.

Expenses are recognized as they are incurred and measurable based upon receipt of the goods and services and/or the legal obligation to pay.

Authorized government transfers from the City are recorded as expenses when eligibility criteria have been met by the recipient and the amount can be reasonably estimated.

Budget information, as approved by City Council, is reported on an accrual basis, consistent with principles applied in the financial statements.

c) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Administration has used estimates to determine employee benefit obligations, pension obligations relating to City-sponsored pension plans, landfill closure and post-closure care obligations, accrued liabilities, tangible capital asset useful lives as well as provisions made for allowances for amounts receivable or any provision for impairment of investment values.

d) Foreign Currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions or at rates of exchange established by the terms of a forward foreign exchange contract. Gains (losses) on foreign currency translation are included as revenues (expenses).

e) Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

f) Investments

Fixed income investments are recorded at amortized cost. Purchase premiums and discounts are amortized on the present value basis over the terms of the issues. Investments in common and preferred shares are recorded at cost. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss. Any net undistributed realized losses in multi-unit investment trusts managed by the City are recorded.

g) Debt Recoverable

Debt recoverable consists of amounts that are recoverable under loans made to non-profit organizations, relating to City outstanding long-term debt. These debt recoverable amounts are recorded at a value equivalent to the offsetting outstanding long-term debt balances as at December 31.

h) Non-Financial Assets

Non-financial assets are not available to discharge liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. Non-financial assets are comprised of tangible capital assets, inventory of materials and supplies, and other assets.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Interest charges during construction are not capitalized. The cost, less residual value of the tangible capital assets, is amortized on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	20 to 50 years
Buildings	10 to 60 years
Machinery and equipment	3 to 50 years
Vehicles	9 to 35 years
Engineered structures	7 to 100 years

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributed tangible capital assets

Tangible capital assets acquired as contributions are recorded at their fair value on the date received. Equivalent amounts are recorded as Developer contributed tangible capital assets on the Consolidated Statement of Operations and Accumulated Surplus.

iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all benefits and risks incidental to ownership of property are accounted for as capital leases. Assets under capital lease are included within the respective asset classifications. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv) Land under roads

Land under roads that is acquired other than by a purchase agreement is valued at a nominal amount.

v) Inventory of materials and supplies

Inventory of materials and supplies is valued at the lower of average cost and replacement cost.

vi) Cultural, historical, and works of art

The City manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at City sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

i) Reserves for Future Expenditures

Certain amounts, as approved by City Council, are designated within accumulated surplus as reserves for future operating and capital expenditures.

j) Equity in Tangible Capital Assets

Equity in tangible capital assets is included within accumulated surplus. It represents the investment in tangible capital assets, after deducting the portion financed by long-term debt.

2. Cash and Temporary Investments

	2011	2010
Cash	$ 3,663	$ 3,191
Temporary investments	15,061	98,655
Cheques outstanding in excess of deposits	(16,994)	(9,447)
	$ 1,730	$ 92,399

Temporary investments consist of bankers' acceptances, treasury bills and commercial paper, at cost, which approximates market. Temporary investments are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year.

The City has access to an unsecured line of credit of up to $100,000 to cover any bank overdrafts arising from day to day cash transactions. No amounts were outstanding on the line of credit overdraft at December 31, 2011.

3. Investments

	Cost		Market Value	
	2011	2010	2011	2010
Cash	$ 585	$ 1,800	$ 585	$ 1,800
Amounts (payable) receivable – net	(159)	378	(160)	378
Fixed income:				
Short-term notes and deposits	3,205	21,810	3,158	21,509
Government and government guaranteed bonds	524,399	619,767	542,720	625,907
Corporate bonds and debentures	152,509	240,872	156,643	245,346
	680,113	882,449	702,521	892,762
Common and preferred shares:				
Canadian	224,669	216,882	206,408	271,289
International	353,957	277,794	283,043	271,689
Global	87,210		84,173	
	665,836	494,676	573,624	542,978
Other investments	19	19	19	19
	$ 1,346,394	$ 1,379,322	$ 1,276,589	$ 1,437,937

Short-term notes and deposits have effective interest rates of 0.0 to 3.5 per cent (2010 – 0.0 to 0.8 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.0 to 6.5 per cent (2010 – 1.1 to 10.1 per cent) with maturity dates from March 12, 2012 to October 24, 2061 (2010 – January 27, 2011 to November 24, 2050).

The market value of short-term notes and deposits includes unrealized losses on futures contracts of $28 (2010 – $151). See also Note 21 c).

The Global pooled equity fund represents a new class of investment in 2011 that contains both Canadian and international securities.

Investments with a cost of $652,398 (2010 – $591,113) and market value of $590,567 (2010 – $626,626) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 11713. An annual appropriation from the earnings of the Fund is withdrawn to support municipal operations, based upon a spending formula set out in the Bylaw. Any amendment to the Bylaw requires advertisement and a public hearing.

Net undistributed realized losses of $8.5M relating to multi-unit investment trusts managed by the City were recorded by the City as at December 31, 2011 (2010 – $0).

The cost of certain Canadian, international and global investments exceeds market value as at December 31, 2011. Management is of the opinion that the loss in value is a temporary decline. No adjustment was made to reduce the carrying value of investments.

4. Debt Recoverable

Debt recoverable of $57,271 (2010 – $59,108) relates to amounts borrowed by the City and loaned to non-profit organizations in accordance with section 264 of the MGA. The amounts recoverable have the same general repayment terms as the respective debt. Debt recoverable matures in annual amounts to the year 2034 with interest rates ranging from 2.5 to 6.0 per cent (2010 – 2.5 to 6.0 per cent).

Principal and interest payments recoverable for the next 5 years and thereafter are as follows:

	Principal	Interest	Total
2012	$ 1,922	$ 2,872	$ 4,794
2013	2,012	2,782	4,794
2014	1,891	2,689	4,580
2015	1,766	2,599	4,365
2016	1,858	2,507	4,365
Thereafter	47,822	24,432	72,254
	$ 57,271	$ 37,881	$ 95,152

5. Promissory Notes Payable

As at December 31, 2011, the City has issued 5 promissory notes payable with maturity dates from January 25, 2012 to March 21, 2012 with interest rates ranging from 0.9 per cent to 0.95 per cent. The promissory notes are being accounted for at amortized cost, with the amount for the 5 notes at maturity totalling $60,000 and a discounted value of $59,862. As at December 31, 2010, the City had issued 1 promissory note payable, with a value at maturity on February 15, 2011 of $20,000, an interest rate of 0.98 per cent and a discounted value of $19,966.

6. Accounts Payable and Accrued Liabilities

	2011	2010
Trade	$ 295,226	$ 284,221
Payroll and Remittances	92,342	58,315
Developer Obligations	67,401	71,061
Accrued Interest	25,939	26,578
Other	1,584	1,376
	$ 482,492	$ 441,551

7. Deferred Revenue

Deferred revenue is comprised of the funds noted below, the use of which are externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified. Certain deferred revenues relate to government transfers as further described in Note 17.

	2011	2010
Operating	$ 73,653	$ 83,215
Capital:		
Alberta Municipal Infrastructure Program (AMIP)	4,111	40,516
Transportation fuel rebate – Federal	9,059	19,529
Alberta Innovation and Science Program	8,900	10,254
North/South Trade Highway grant	6,673	7,388
Major Community Facilities Program	4,845	4,907
Other	2,464	2,630
	36,052	85,224
	$ 109,705	$ 168,439

8. Employee Benefit Obligations

	2011	2010
Accrued vacation	$ 68,362	$ 66,024
Post-employment benefits	18,422	17,982
Banked overtime	9,732	10,363
Income replacement plan	8,789	9,630
Major medical and dental plans	6,214	6,284
Group Life Insurance Plan	5,772	5,405
Health care spending	3,480	3,332
Supplementary Management Retirement Plan	2,424	1,765
Other	620	526
	$ 123,815	$ 121,311

Post-employment benefits represent the City's cost, including the continuation of benefits for employees on long-term disability, and the City's share of pensioners' eligible medical, dental and other obligations.

In order to measure the post-employment obligation, an actuarial valuation was completed by Aon Hewitt as at December 31, 2011 regarding the continuation of benefit coverage while eligible employees are on long-term disability. The discount rate used in the valuation is 3.0 per cent (2010 – 4.0 per cent). The accrued benefit obligation as at December 31, 2011 is $15,092 (2010 – $14,475). The change is comprised of current service cost of $2,848 (2010 – $3,292), interest cost of $639 (2010 – $651), actuarial gain of $175 (2010 – $1,122) and benefits paid during the year of $2,695 (2010 – $2,645).

Eligible post-employment medical and dental obligations are estimated based on a five year average of pensioners' claim costs in excess of contributions until the pensioners reach age 65. Eligible medical obligations for 2011 were $1,748 (2010 – $1,770). Eligible dental obligations for 2011 were $365 (2010 – $335). Other post-employment benefits were $1,217 (2010 – $1,402).

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial valuation as at December 31, 2011, completed by the actuaries of Aon Hewitt.

A Group Life Insurance Plan is provided by the City, funded equally by employer and employees. The Plan is administered by Great West Life.

The City sponsors major medical, dental and other employee benefit plans, which are funded through employee and/or employer contributions. Premium contributions, interest earnings, payments for benefit entitlements, and administrative costs are applied to each of the respective plans.

All permanent employees are entitled to a health care spending account providing reimbursement up to established limits for eligible expenses not covered under the Supplementary Health Care and Dental Plans. An estimate has been included in 2011 expenses of amounts not used in the current year eligible to be carried forward under the terms of the plan.

A Supplementary Management Retirement Plan for designated management employees was implemented effective for service beginning January 1, 2003. The accrued benefit liability of $2,424 (2010 – $1,765) has been based upon an actuarial valuation completed by Aon Hewitt as at December 31, 2011. Unamortized net losses of $1,886 (2010 – $1,717) will be amortized over the 9 year average remaining service period of active plan participants.

9. Landfill Closure and Post-closure Care

Under legislation, the City has a liability for closure and post-closure care costs for its landfill. The landfill site reached full capacity and was closed August 2009. The period for post-closure care is estimated to be 25 years from the time of closure. An amount of $19,289 (2010 – $20,042) has been accrued, representing the sum of the discounted future cash flows for closure and post-closure care activities, applying a discount rate at the City's average long-term borrowing rate of 4.6 per cent (2010 – 4.7 per cent) and an inflation rate of 2.25 per cent (2010 – 2.50 per cent).

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, pumping of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events using the best information available to management. Future events, such as changes to regulatory requirements, may result in significant changes to the estimated total expenses and will be recognized prospectively, as a change in estimate, when applicable.

The City has entered into a contract with Beaver Regional Waste Management Services Commission for their provision of landfill capacity effective February 26, 2007 through February 26, 2027, with a further option for the City to extend the term for ten additional years. Under the terms of the agreement the City pays the Commission tipping fees per tonne of waste delivered to the site and has committed to send a minimum of 70,000 tonnes per year.

10. Long-Term Debt

a) Debt payable

Debt payable includes the following amounts:

	2011	2010
Debentures	$ 2,366,084	$ 2,312,491
Mortgages	23,584	26,738
	2,389,668	2,339,229
Less debt attributed to and secured by offsetting amounts receivable from:		
EPCOR Utilities Inc.	176,683	208,690
Sinking Fund assets	239,166	290,306
	1,973,819	1,840,233
Long-term debt is comprised of:		
Self-liquidating debt	707,949	650,475
Tax-supported debt	1,265,870	1,189,758
	$ 1,973,819	$ 1,840,233

The amount receivable from EPCOR Utilities Inc. relates to debentures issued in the name of the City on behalf of EPCOR Utilities Inc. The repayment terms are the same as the respective debt with the exception of debt relating to the Gold Bar Wastewater Treatment Facility which is based on a blended semi-annual repayment schedule.

Outstanding debentures of $300,000 are secured by Sinking Fund assets with a carrying value of $239,166 (market value – $246,705) and required earnings of 5.0 per cent (2010 – 5.0 per cent). These assets are comprised of short-term notes and deposits, government and government guaranteed bonds and corporate bonds and debentures. Government and government guaranteed bonds include debentures of the City of Edmonton with a carrying value of $21,385 (market value – $23,268).

Short-term notes and deposits within the Sinking Fund have an effective interest rate of 0.0 to 3.5 per cent (2010 – 0.0 to 0.5 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 1.0 to 4.1 per cent (2010 – 1.2 to 5.1 per cent) with maturity dates from January 20, 2012 to December 1, 2021 (2010 – February 15, 2011 to June 1, 2037).

Principal and interest payments on long-term debt for the next five years and thereafter are as follows:

Principal:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Less: Sinking Fund Principal	Net Payment
2012	$ 52,217	$ 48,092	$ 100,309	$ 7,450	$ 9,073	$ 83,786
2013	51,261	49,543	100,804	7,855	6,049	86,900
2014	49,203	51,819	101,022	7,717	3,024	90,281
2015	49,564	114,201	163,765	7,554	3,024	153,187
2016	50,040	56,694	106,734	7,584	3,024	96,126
Thereafter	601,755	945,521	1,547,276	77,688	6,049	1,463,539
	$ 854,040	$ 1,265,870	$ 2,119,910	$ 115,848	$ 30,243	$ 1,973,819

Interest:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Net Payment
2012	$ 62,327	$ 55,684	$ 118,011	$ 28,694	$ 89,317
2013	50,947	53,507	104,454	18,975	85,479
2014	44,273	51,230	95,503	14,048	81,455
2015	42,069	48,845	90,914	13,636	77,278
2016	39,823	44,608	84,431	13,221	71,210
Thereafter	250,138	341,033	591,171	44,562	546,609
	$ 489,577	$ 594,907	$ 1,084,484	$ 133,136	$ 951,348

Total Payments:

	Self-Liquidating	Tax-Supported	Gross Payment	Less: EPCOR Receivable	Less: Sinking Fund Principal	Net Payment
2012	$ 114,544	$ 103,776	$ 218,320	$ 36,144	$ 9,073	$ 173,103
2013	102,208	103,050	205,258	26,830	6,049	172,379
2014	93,476	103,049	196,525	21,765	3,024	171,736
2015	91,633	163,046	254,679	21,190	3,024	230,465
2016	89,863	101,302	191,165	20,805	3,024	167,336
Thereafter	851,893	1,286,554	2,138,447	122,250	6,049	2,010,148
	$ 1,343,617	$ 1,860,777	$ 3,204,394	$ 248,984	$ 30,243	$ 2,925,167

Payments on offsetting EPCOR receivable and Sinking Fund principal amounts relate to self-liquidating debt. The above amounts do not include annual Sinking Fund required earnings.

b) Debt and debt service limits

A Regulation under section 271 of the MGA requires that debt, debt limit and debt service (principal and interest payments) limit be disclosed. The debt limit, as defined in the Regulation, is two times consolidated revenue net of capital government transfers and developer contributed tangible capital assets. As allowed under the Regulation, the revenue from the EPCOR subsidiary operations are eliminated in calculating the debt limits. Consistently, debt and debt service costs relating to EPCOR are also eliminated from the calculation. The debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limits requires approval by the provincial Minister of Municipal Affairs.

The City's position with respect to the debt and debt service limits is as follows:

	2011	2010
Total debt limit	**$ 4,079,000**	$ 3,679,534
Total debt	**1,973,819**	1,840,233
Percentage used (%)	**48.39**	50.01
Total debt service limit	**$ 713,825**	$ 643,918
Total debt service	**185,104**	172,625
Percentage used (%)	**25.93**	26.81

c) Maturities and interest rates

Existing long-term debt matures in annual amounts to the year 2036 and debenture interest is payable, before provincial subsidy, at rates ranging from 1.5 to 9.6 per cent (2010 – 1.8 to 10.8 per cent). The average annual interest rate is 4.6 per cent for 2011 (2010 – 4.7 per cent), before rebate. The Province pays the interest for the first five years for qualifying debt issues related to energy conservation, undertaken through the former ME *first!* program.

d) Interest on long-term debt

	2011	2010
Self-liquidating debt	**$ 69,329**	$ 82,039
Tax-supported debt	**54,879**	47,600
	124,208	129,639
Less payments on offsetting amounts receivable	**36,897**	50,867
Long-term debt interest included in interest and bank charges	**$ 87,311**	$ 78,772

11. Tangible Capital Assets

	Net Book Value 2011	2010
Land	$ 1,110,874	$ 939,737
Land improvements	395,666	353,557
Buildings	722,561	468,897
Machinery and equipment	258,910	224,587
Vehicles	491,643	494,235
Engineered structures:		
Roadway system	2,691,296	2,393,464
Drainage system	1,869,854	1,761,134
Light rail transit	547,568	514,296
Waste	61,718	67,048
Bus system	85,648	70,347
Other	10,257	8,174
	8,245,995	7,295,476
Assets under construction	1,133,949	1,284,695
	$ 9,379,944	$ 8,580,171

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

$121,608 in land, land improvements, and engineered structures were contributed to the City in 2011 (2010 – $139,281) and were represented at their fair value at the time received.

12. Other Assets

	2011	2010
Prepaid expenses – operational	$ 12,172	$ 6,942
Pension net fund asset (Note 20)	21,029	22,684
	$ 33,201	$ 29,626

13. Equity in Tangible Capital Assets

	2011	2010
Tangible capital assets (Schedule 1)	$ 14,715,963	$ 13,734,995
Accumulated amortization (Schedule 1)	(5,336,019)	(5,154,824)
Long-term debt (Note 10)	(1,973,819)	(1,840,233)
Debt recoverable (Note 4)	57,271	59,108
	$ 7,463,396	$ 6,799,046

Notes to Consolidated Financial Statements

For the year ended December 31, 2011 (in thousands of dollars)

14. Reserves for Future Expenditures

	2011	2010
General Government:		
Financial stabilization	$ 91,138	$ 95,267
Financial stabilization – appropriated	43,931	31,614
Funds in Lieu – residential	20,125	11,420
Current planning	16,448	6,314
LRT	14,181	10,035
Affordable housing	11,795	14,744
Parkland reserve	8,833	12,070
Natural areas	7,166	6,124
Perpetual care	5,067	4,775
Enterprise portfolio/Commonwealth Stadium	4,385	5,593
Heritage resources	2,920	2,722
Self insurance – vehicles	2,500	2,500
Tree management	1,914	920
Development incentive	1,814	1,942
Tax-supported debt	1,628	1,691
Façade & storefront improvements	1,498	859
Aggregate Site	1,418	1,183
Northlands – capital	1,090	1,078
Other	676	635
Neighbourhood renewal		2,586
	238,527	214,072
Fleet Services – vehicle replacement	10,986	953
Edmonton Economic Development Corporation	1,966	1,879
Edmonton Public Library Board	1,215	332
Non-Profit Housing Corporation	1,017	1,259
	$ 253,711	$ 218,495

15. Accumulated Surplus

Accumulated surplus consists of restricted and unrestricted amounts and equity in tangible capital assets.

	2011	2010
General government operations	$ (3,587)	$ 44,017
Excess earnings on Sinking Fund	3,196	3,845
Restricted surplus:		
Pension	21,029	22,684
Drainage Services Utility	56,442	44,881
Land Enterprise	131,669	118,143
Fleet Services	(7,542)	16,289
Waste Management	(5,352)	(781)
Ed Tel Endowment Fund	652,398	591,113
EPCOR Utilities Inc.	2,351,024	2,464,951
Non-Profit Housing Corporation	1,672	3,023
Edmonton Public Library Board	774	1,116
Edmonton Economic Development Corporation	1,313	1,691
Vehicle for Hire Commission	133	71
Edmonton Combative Sports	(27)	153
Fort Edmonton Management Company	282	79
Reserves for future expenditures (Note 14)	253,711	218,495
Equity in tangible capital assets (Note 13)	7,463,396	6,799,046
Advances for construction (capital to be financed)	(44,966)	52,328
	$ 10,875,565	$ 10,381,144

16. Net Taxes Available for Municipal Purposes

	2011	2010
Taxes:		
Property and business taxes	$ 1,265,588	$ 1,186,356
Revenue in lieu of taxes	37,835	34,244
Local improvement levies	8,488	8,584
Other	6,528	5,494
	1,318,439	1,234,678
Less taxes on behalf of:		
Education	352,300	334,922
Business revitalization zones	2,832	2,708
	355,132	337,630
Net taxes available for municipal purposes	$ 963,307	$ 897,048

The City is required to levy taxes under section 353 of the MGA towards payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to trade and other receivables.

An amount of education taxes payable of $1,584 on supplementary levies has been recorded at December 31, 2011 (2010 – $1,366) within accounts payable and accrued liabilities.

17. Government Transfers

	2011	2010
Operating transfers:		
Federal	$ 45,104	$ 45,524
Provincial	68,044	73,094
	113,148	118,618
Capital transfers:		
Federal	34,272	33,115
Provincial	452,883	356,661
	487,155	389,776
Total Government Transfers	$ 600,303	$ 508,394

In 2011, the Minister of Transportation approved initial projects under the Green Transit Incentives Program (Green TRIP) to support the provincial public transportation initiatives that contribute towards environmental benefits. In 2011, the City received $70,000 and recorded $135,632 as capital government transfers. A receivable of $65,632 has been recorded.

In 2011, an agreement through the Building Canada Fund was signed for the North Light Rail Transit expansion. In 2011, the City recorded $16,141 as capital government transfers. A receivable has been recorded for $16,141.

In 2011, the City received $12,931 (2010 – $3,682) from the Federal portion of the Infrastructure Stimulus Fund. $6,235 (2010 – $12,711) was recorded as capital government transfers. A receivable of $1,379 (2010 – $8,075), including interest of $0 (2010 – $2), has been recorded.

The Provincial Government has provided grants under a Major Community Facilities Program (MCFP) for the Terwillegar Community Recreational Centre, Muttart Conservatory, North Branch Library and Fred Broadstock Pool projects. In 2011, $108 (2010 – $492) has been recognized as revenue and $4,845 (2010 – $4,907) has been recognized as deferred revenue including interest of $46 (2010 – $32).

In 2008, the Province introduced a grant for Affordable Housing Program Municipal Block Funding. The grant is administered through the City's Cornerstone program to assist qualified applicants to purchase or renovate existing rental accommodation units, to construct new units and to develop secondary suites and transitional housing. $3,003 was received in 2011 (2010 – $27,024). $15,833 (2010 – $22,364) has been recognized as operating transfer revenue and $36,001 (2010 – $48,644), including interest of $474 (2010 – $397), has been deferred to future years. $287 (2010 – $5,235) has been recognized as capital government transfers.

In 2007, the Provincial government introduced the Municipal Sustainability Initiative (MSI) program to provide municipalities with sustainable funding. The City received $164,611 in 2011 (2010 – $161,482) and recognized $194,817 (2010 – $161,435) including interest of $144 (2010 – $43) as capital government transfers and $3,604 (2010 – $3,200) as operating government transfers. $63,863 has been recorded as a receivable (2010 – $30,197).

The Provincial City Transportation Fund provides annual funding for developing and implementing safe, effective and integrated transportation systems and facilities. In 2011, the City received funding of $118,000 (2010 – $80,000) and has recognized $83,356 (2010 – $113,225) as capital government transfers including interest of $177 (2010 – $91) and temporary rental income of $98. $31,703 has been recorded as a receivable (2010 – $66,622).

A grant of up to $29,000 has been approved under the Alberta Innovation and Science Program to provide funding for a solid waste gasification demonstration facility. $1,465 (2010 – $6,444) has been recognized as government transfers for capital. $8,900 (2010 – $10,254), including interest of $111 (2010 – $109), has been reported as deferred revenue.

In 2005, the Federal government introduced the New Deal for Cities and Communities to assist in reducing the backlog of necessary sustainable capital infrastructure projects that have been deferred. In 2011, the City received $43,605 (2010 – $43,605) and recognized $10,766 (2010 – $16,151) as capital government transfers and $9,059 (2010 – $19,529), including interest of $296 (2010 – $354), as deferred revenue under the Transportation Fuel Rebate – Federal. The City also recognized $43,605 (2010 – $44,121) as operating government transfers under the program, applied to debt servicing related to the LRT.

In 2011, $36,686 (2010 – $64,894) has been recognized as government transfers under the Alberta Municipal Infrastructure Program (AMIP). $4,111 (2010 – $40,516), including interest of $282 (2010 – $490), has been reported as deferred revenue. No additional funds are anticipated under this Program.

In 2011, the City received a grant of $16,335 (2010 – $16,335) from the Province for Family and Community Support Services funding. The full amount was recognized as operating revenue in 2011.

For government transfer amounts deferred to future years, see also Note 7.

18. Executive Salaries and Benefits

The following executive salaries and benefits are disclosed as required under the Supplementary Accounting Principles and Standards Regulation (AR 313/2000) of the MGA.

	Salaries	Benefits	2011	2010
Mayor	$ 135	$ 33	**$ 168**	$ 168
Councillors:				
Anderson	83	18	**101**	97
Batty	81	19	**100**	98
Caterina	83	21	**104**	100
Diotte	79	19	**98**	15
Gibbons	83	19	**102**	97
Henderson	83	19	**102**	98
Iveson	81	21	**102**	100
Krushell	81	19	**100**	97
Leibovici	79	19	**98**	97
Loken	79	20	**99**	15
Sloan	83	18	**101**	97
Sohi	83	21	**104**	100
Hayter				124
Thiele				126
	978	233	**1,211**	1,261
Chief Administrative Officer	324	28	**352**	484
City Assessor	190	25	**215**	206
	$ 1,627	$ 319	**$ 1,946**	$ 2,119

Executive salaries and benefits are included in corporate administration expenses in the Consolidated Statement of Operations and Accumulated Surplus.

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, dental coverage, medical coverage, group life insurance, short-term disability insurance and transportation allowances.

Salary and benefits for the Chief Administrative Officer in 2010 include overlapping payments during the transition of the position. 2010 comparative figures include $82 in retiring allowances for two Councillors.

19. Subsidiary Operations – EPCOR

EPCOR, established by City Council under City Bylaw 11071, is wholly owned by the City. EPCOR builds, owns and operates electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure, and provides electricity and water services and products to residential and commercial customers.

In 2011, EPCOR adopted the International Financial Reporting Standards (IFRS) applicable to companies for years beginning on or after January 1, 2011. IFRS 1 – First-time adoption of International Financial Reporting Standards has been applied in 2011, with retro active application. For purposes of the City of Edmonton consolidated reporting, the change by EPCOR to adopt IFRS has been reported as a change to opening 2011 accumulated surplus, without restatement of prior periods.

The following table provides condensed supplementary financial information for EPCOR. Consolidated financial statements are contained within EPCOR's annual report and can be obtained at their website or by contacting the corporate offices of EPCOR.

	2011	2010
Financial position:		
Current assets	$ 709,929	$ 633,689
Capital assets	2,658,248	1,907,303
Investment in Capital Power	987,383	1,235,394
Other assets	676,391	738,347
Total assets	5,031,951	4,514,733
Current liabilities (including current portion of long-term debt of $16,894 (2010 – $219,489))	348,819	534,186
Non-current liabilities	649,943	59,089
Long-term debt	1,682,202	1,456,507
Total liabilities	2,680,964	2,049,782
Accumulated other comprehensive gain (loss)	9,251	(17,980)
Share capital contribution	23,794	23,582
Retained earnings	2,317,979	2,459,349
Shareholder's equity	$ 2,351,024	$ 2,464,951
Results of operations:		
Revenues	$ 1,833,491	$ 1,472,583
Equity share of income – Capital Power	90,240	88,334
Expenses	1,780,075	1,427,962
Net income	$ 143,656	$ 132,955
Changes in shareholder's equity:		
Shareholder's equity – opening	$ 2,464,951	$ 2,469,884
Transition adjustments upon IFRS adoption	(123,404)	
Adjusted opening shareholder's equity	2,341,547	2,469,884
Net income	143,656	132,955
Other comprehensive income	4,241	(2,102)
Dividend to shareholder (City of Edmonton)	(138,420)	(135,786)
Shareholder's equity – ending	$ 2,351,024	$ 2,464,951

In the regulatory environment that EPCOR operates in, estimates are often required to be recorded until values are finalized and adjusted pursuant to subsequent regulatory decisions, or proceedings. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

In 2009, through a series of transactions, EPCOR sold substantially all of its power generation assets net of certain liabilities to Capital Power. Through an equity investment in Capital Power, a 72.2 per cent interest in that business was retained. Dispositions and stock dilution have subsequently decreased EPCOR's interest in Capital Power to 39.0 per cent (2010 – 61.0 per cent). Due to restrictive rights, EPCOR has significant influence but not control of Capital Power and therefore applies the equity method to account for its investment in Capital Power.

Principal payments on EPCOR's long-term debt for the next five years and thereafter, including sinking fund payments (Note 10), are as follows:

2012	$ 24,017
2013	17,667
2014	13,730
2015	13,865
2016	144,277
Thereafter	1,485,540
	$ 1,699,096

EPCOR has issued letters of credit for $271,792 (2010 – $134,582) to meet the credit agreements of energy market participants, as conditions of certain agreements or to satisfy legislated reclamation requirements.

The following summarizes the City's related party transactions with EPCOR for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	2011	2010
Dividend paid to the City	$ 138,420	$ 135,786
Power and water purchased by the City	1,881	1,755
Other services purchased by the City	88,345	77,844
Franchise fees and revenue tax to the City	63,736	55,933
Property taxes and other taxes to the City	12,274	10,415
Sales of administrative and construction services from the City	13,749	12,859
Financing expenses paid or payable to the City	24,784	34,414
Costs of capital construction paid or payable to the City	2,966	3,540

Within current assets and other assets is $22,289 (2010 – $14,162) due from the City. Current liabilities of $12,250 (2010 – $14,500) and non-current liabilities of $16,500 (2010 – $28,750) relate to transfer fees payable to the City with respect to the 2009 transfer of the Gold Bar Wastewater Treatment Facility from the City to EPCOR. The City financial statements include the net balance receivable from EPCOR within the Financial Assets – Trade and other receivables.

Long-term debt reported by EPCOR includes amounts of $171,958 (2010 – $208,690) based on the IFRS reporting issued in the name of the City. Offsetting short and long-term receivables from EPCOR of $176,683 (PSAB basis) have been applied to reduce the consolidated long-term debt (Note 10).

20. Pension and Long-term Disability Plans

a) Local Authorities Pension Plan

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan (LAPP), which is one of the multi-employer plans covered by the Public Sector Pension Plans Act of Alberta.

The City is required to make current service contributions to the Plan of 9.49 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 13.13 per cent thereafter. Employees of the City are required to make current service contributions of 8.49 per cent of pensionable salary up to YMPE and 12.13 per cent thereafter. Contributions for current service are recorded as expenses in the year in which they become due.

Total current service contributions by the City to the LAPP in 2011 were $65,533 (2010 – $60,657). Total current service contributions by the employees of the City to the LAPP in 2011 were $59,366 (2010 – $54,629).

The LAPP reported a deficiency for the overall plan as at December 31, 2010 of $4,635,250. Information as at December 31, 2011 was not available at the time of preparing these financial statements.

b) Special Forces Pension Plan

Police officers employed by the City are participants in the multi-employer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 10.44 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Additional past service contributions of 3.36 per cent of pensionable payroll were implemented July 1, 2010 to eliminate an unfunded liability related to post-1991 service amortized over 13.5 years. Participants of the SFPP are required to make current service contributions of 9.34 per cent of pensionable salary. As well, past service contributions of 0.75 per cent and 3.36 per cent of pensionable salary are required, consistent with those described for the City. Contributions for current and past service are recorded as expenses in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2011 were $20,661 (2010 – $18,455). Total current and past service contributions by the participants to the SFPP in 2011 were $19,099 (2010 – $16,864).

The SFPP reported a deficiency for the plan as at December 31, 2010 of $580,697 comprised of $264,778 for pre-1992 and $315,919 relating to post-1991. More recent information was not available at the time of preparing these financial statements.

c) City-Sponsored Pension Plans

The following summarizes plans sponsored by the City. Assets related to the plans are held in trust as disclosed in Note 23.

i) Annuity Plan

The City provides pension benefits to members who were retired at the time the City's Pension Plan was transferred to the Province of Alberta. There are no active members enrolled in the Plan and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $5 (2010 – $5).

ii) Police Supplementary Pension Plan

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the LAPP for 22 pensioners and beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $105 (2010 – $104).

iii) Fire Fighters' Supplementary Pension Plan

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were $6,383 (2010 – $5,825). Employee contributions for the year were $2,468 (2010 – $2,398). Employer contributions for the year were $2,952 (2010 – $2,817).

iv) Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan

The City of Edmonton Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the positions of fire chief and deputy fire chiefs. Contributions are made by plan members and by the City. The pension is reduced by the pension payable to the member under the LAPP.

Total benefits paid during the year were $293 (2010 – $247). Employee contributions for the year were $10 (2010 – $10), and employer contributions were $63 (2010 – $103).

An actuarial valuation for each pension plan was completed by Aon Hewitt as at December 31, 2011. Each 2011 actuarial valuation was based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.25 per cent (2010 – 2.50 per cent). The discount rate used to determine the accrued benefit obligation is 6.00 per cent (2010 – 6.00 per cent). Each pension fund's assets are valued at fair value. The expected rate of return on plan assets is 6.00 per cent (2010 – 6.00 per cent).

The following table sets out the results for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	**2011**	2010
Fair value of assets	$ 9,168	$ 7,240	$ 130,427	$ 2,184	**$ 149,019**	$ 153,094
Accrued benefit obligation	14	605	142,811	2,904	**146,334**	144,841
Funded status – surplus (deficit)	9,154	6,635	(12,384)	(720)	**2,685**	8,253
Unamortized net actuarial loss			33,371	762	**34,133**	30,568
Accrued benefit asset	9,154	6,635	20,987	42	**36,818**	38,821
Valuation allowance	9,154	6,635			**15,789**	16,137
Net fund asset	$	$	$ 20,987	$ 42	**$ 21,029**	$ 22,684

The net fund asset balance is included in other assets (Note 12). The net actuarial loss is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 16.3 years (2010 – 15.9 years) and of the Fire Chief plan of 2.8 years (2010 – 2.8 years).

The following table sets out the benefit plan related expense for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	**2011**	2010
Current service cost	$	$	$ 4,693	$ 28	**$ 4,721**	$ 4,542
Amortization of actuarial loss	722	594	1,895	82	**3,293**	1,414
Increase (decrease) in valuation allowance	(163)	(185)			**(348)**	1,528
Less: employee contributions			(2,468)	(10)	**(2,478)**	(2,408)
Benefit plan expense for the year	559	409	4,120	100	**5,188**	5,076
Interest cost on accrued benefit obligation	1	36	8,446	146	**8,629**	8,198
Expected return on plan assets	(560)	(445)	(8,004)	(138)	**(9,147)**	(8,363)
Benefit plan interest expense (income)	(559)	(409)	442	8	**(518)**	(165)
Total benefit plan related expense	$	$	$ 4,562	$ 108	**$ 4,670**	$ 4,911

d) Long-term Disability Plan

The Long-term Disability Plan is available to permanent City employees to provide protection against loss of income. The employee pays 100 per cent of the premium for the Plan.

An actuarial valuation of the Plan was completed by Aon Hewitt as at December 31, 2011. The Plan's assets are valued at fair value.

	2011	2010
Fair value of assets	$ 84,726	$ 79,807
Less: Accrued benefit obligation	56,697	58,545
Net assets	$ 28,029	$ 21,262

21. Commitments

a) Capital Commitments

City Council has approved the 2012 – 2014 Capital Budget. In addition, budget approval remains for projects continuing from the 2009 – 2011 approved budget. The overall future commitment of $4,002,765 is to be funded as follows:

Government transfers and developer contributions	$ 1,566,756
Tax-supported debentures	808,552
Pay-as-you-go financing	694,066
Accumulated surplus including reserves	524,805
Self-liquidating debentures	302,633
Other	105,953
	$ 4,002,765

Capital requirements related to EPCOR are not included in the Capital Priorities Plan. Certain capital commitments for EPCOR have been disclosed in Note 19.

b) Lease Commitments

The City has entered into a number of operating lease agreements, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

2012	$ 17,610
2013	15,583
2014	12,848
2015	12,017
2016	6,570
Thereafter	30,734
	$ 95,362

c) Contractual Obligations

To mitigate the risk of fluctuation in fuel prices the City has entered into swap transactions to purchase 19.60 million litres of heating oil for monthly periods from January 2012 through December 2012. The contracts have settlement dates ranging from February 7, 2012 through January 8, 2013 at prices from $0.75 to $0.81 per litre, or $15,486.

The City has entered into cash and security futures contracts with a notional value of $7,800. As at December 31, 2011 the unrealized loss of $28 (2010 – loss of $151) related to futures has been reported within the market value of short-term notes and deposits in Note 3. The contracts have a term of maturity within one year.

22. Contingent Liabilities

a) The City is defendant in various lawsuits as at December 31, 2011. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition, and the amount of loss can be reasonably estimated, amounts have been included within accrued liabilities. Where the resulting losses, if any, cannot be determined or the occurrence of future events is unknown, amounts have not been recorded, and the City's Administration believes there will be no material adverse effect on the financial position of the City.

b) The City is reviewing environmental objectives and liabilities for its activities and properties as well as any potential site reclamation obligations. The amount of any such obligations has not been determined.

23. Trust Assets under Administration

The City administers Pension Fund, Long-term Disability Plan and other assets in trust on behalf of third parties. As related trust assets are not owned by the City, the trusts have been excluded from the reporting entity.

	2010	Deposits (Withdrawals)	Earnings	2011
Pension Funds Net Assets:				
Annuity Fund	$ 9,332	$ (21)	$ (143)	**$ 9,168**
Police Supplementary Pension Fund	7,476	(117)	(119)	**7,240**
Fire Fighters' Supplementary Pension Fund	133,936	(1,501)	(2,008)	**130,427**
Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund	2,350	(116)	(50)	**2,184**
	153,094	(1,755)	(2,320)	**149,019**
Long-term Disability Plan	79,807	1,353	3,566	**84,726**
Other	935	(85)	2	**852**
	$ 233,836	$ (487)	$ 1,248	**$ 234,597**

Pension Fund assets include fixed income investments in government and government guaranteed bonds, and corporate bonds valued at market quotations from Canadian investment dealers, as well as Canadian, international and global common and preferred shares valued at the closing price on the stock exchange where listed. Assets of the pension funds are administered by the City in conjunction with the City of Edmonton Investment Committee.

Long-Term Disability Plan assets are comprised of government and government guaranteed bonds, corporate bonds valued at market quotations from Canadian investment dealers, along with Canadian, international and global common and preferred shares valued at the closing price on the stock exchange where listed.

24. Segment Disclosures

The Consolidated Schedule of Segment Disclosures – Schedule 2 has been prepared in accordance with PSAB Handbook Section 2700 (PS2700) *Segment Disclosures*. Segment disclosures are intended to enable users to better understand the government reporting entity as well as the major expense and revenue activities of the City. For each reported segment, revenues and expenses represent amounts directly attributable to the segment.

The segments have been selected based on a presentation similar to that adopted for the municipal financial planning and budget processes. Segments include:

a) **Tax-supported programs** directly supported by property and business taxes, including the tax allocation provided directly to other operations, as follows:

- **Protective Services** is comprised of police, traffic safety, bylaw enforcement and fire rescue.
- **Transportation Services** includes bus, light rail transit, roadway and parking services.
- **Community Services** includes parks and recreation, community and family services, planning and public housing. Also included are Edmonton Public Library and Edmonton Economic Development Corporation, which are managed by separate Boards.
- **Other Tax-supported** consists of corporate administration, general municipal services, tax appeals and allowances and excess (deficiency) in Sinking Fund earnings. Revenues that are not directly attributed to another tax-supported segment are also recorded within this other tax-supported segment.

b) **Drainage Services** includes the Sanitary Utility (collection and transmission of wastewater) as well as the Land Drainage Utility (collection and transmission of storm water) and design and construction activities. The utilities operate under a full cost recovery model to support operating requirements and address long-term capital requirements.

c) **Fleet Services** provides vehicle and equipment procurement, maintenance, fleet engineering, fabrication services, fuel management and fleet administration to other City departments and to EPCOR.

d) **Land Enterprise** is comprised of land development and municipal use property activities. Land development includes the City's role as a land developer in the areas of acquisition, development and land sales activities. Municipal use property involves the acquisition of land for municipal purposes and disposal of land deemed surplus to municipal needs. The Land Enterprise is intended to be operated on a self-sustaining basis.

e) **Waste Management** utility delivers customer-focused services consisting of collection, processing and disposal of residential and non-residential waste and recyclables, as well as community relation services in support of waste management programs.

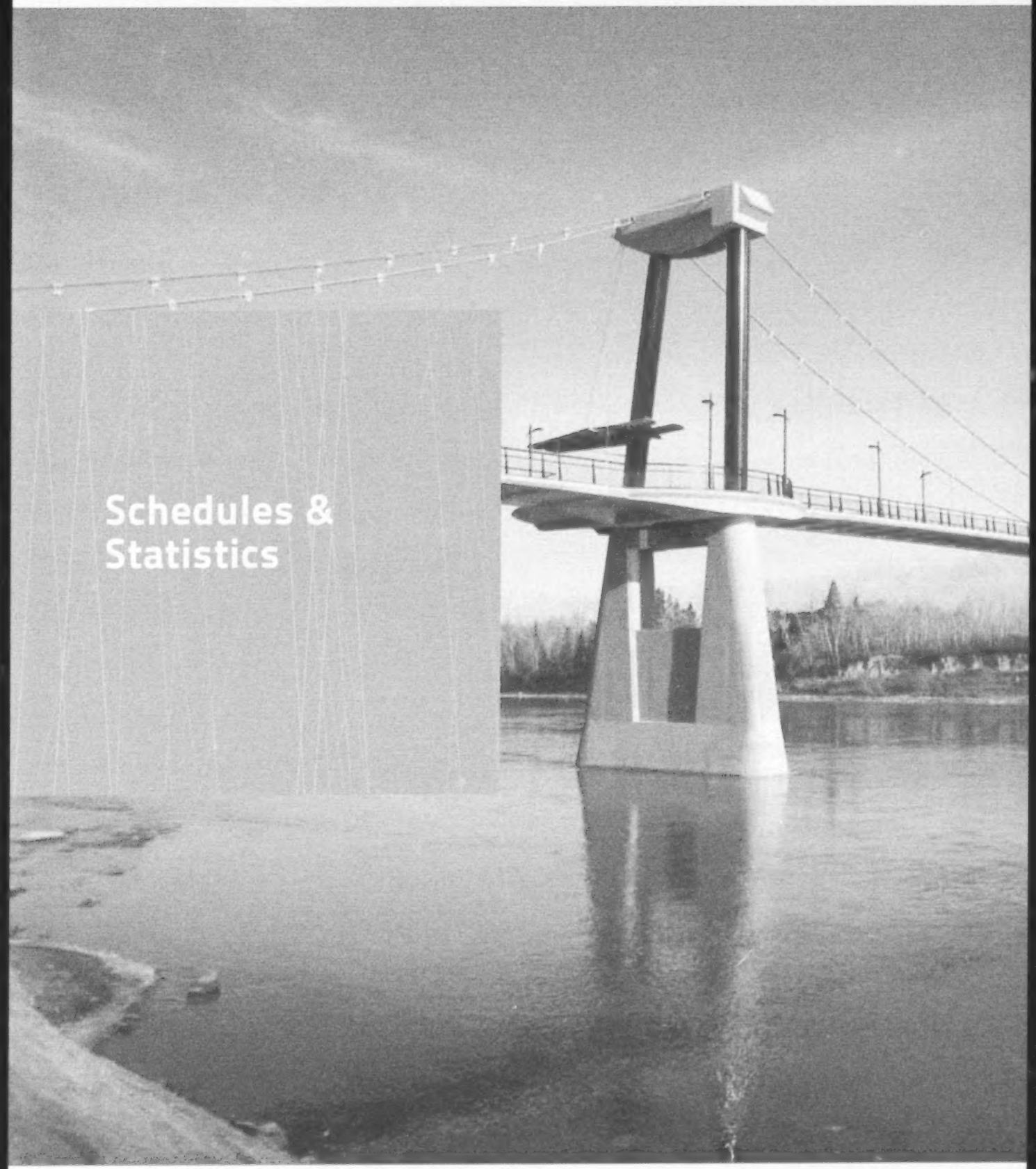
f) **EPCOR** is a wholly owned subsidiary of the City of Edmonton, accounted for on a modified equity basis as a government business enterprise. Note 19 to these financial statements provides condensed financial information for EPCOR.

g) **Other** includes the Ed Tel Endowment Fund, the Non-Profit Housing Corporation, the Vehicle for Hire Commission, the Combative Sports Commission and the Fort Edmonton Management Company. The Ed Tel Endowment Fund is an investment fund created in 1995 with the proceeds from the sale of the municipal telephone company. The proceeds from the sale were invested and provide an annual dividend to support tax-supported programs based on conditions set out in Bylaw 11713. Non-Profit Housing was established by the City in 1977 for the purpose of providing non-profit housing for citizens.

The accounting policies used in the segment disclosures are consistent with those followed in the preparation of the financial statements (Note 1).

25. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.



Schedules & Statistics

Statistical Review for the Years 2007 to 2011
General Municipal Data

Unaudited

	2011	2010	2009	2008	2007
Population (Note 1)	**812,201**	782,439	782,439	752,412	730,372
Population age distribution (%) (Note 1)					
0-4	**5.77**	5.77	5.77	5.70	5.58
5-19	**17.52**	17.52	17.52	17.80	18.10
20-29	**17.81**	17.81	17.81	17.60	17.52
30-39	**14.95**	14.95	14.95	14.60	14.31
40-49	**14.95**	14.95	14.95	15.20	15.92
50-59	**13.27**	13.27	13.27	13.10	12.77
60-64	**4.44**	4.44	4.44	4.30	3.93
65+	**11.29**	11.29	11.29	11.70	11.87
Area – in hectares	**69,980**	69,980	69,980	69,980	69,980
– in square kilometers (rounded)	**700**	700	700	700	700
Value of building permits ($000)	**$ 2,820,745**	$ 2,726,282	$ 2,448,601	$ 2,611,673	$ 2,461,527
Number of housing starts (per Canada Mortgage and Housing Corporation)	**6,135**	6,110	3,911	3,979	8,894
Household median total income (Note 2) (per Statistics Canada) ($)					
Edmonton	**$ 86,250**	$ 86,250	$ 86,250	$ 88,190	$ 83,460
Alberta	**$ 83,560**	$ 83,560	$ 83,560	$ 86,080	$ 82,030
Canada	**$ 68,410**	$ 68,410	$ 68,410	$ 68,860	$ 66,550
Consumer price index – 2002 base year (per Statistics Canada)					
Edmonton	**126.0**	122.9	121.6	121.4	117.4
Alberta	**125.7**	122.7	121.5	121.6	117.9
Canada	**119.9**	116.5	114.4	114.1	111.5
Unemployment rate (%) – annual average (per Statistics Canada)					
Edmonton (metropolitan area)	**5.4**	6.7	6.7	3.7	3.8
Alberta	**5.5**	6.5	6.6	3.6	3.5
Canada	**7.4**	8.0	8.3	6.1	6.0
City of Edmonton employees (Note 3)	**13,030**	12,571	12,166	11,847	11,077

Source: The City of Edmonton Sustainable Development Department.

Notes:

1. The population figures are as per the 2006 Canada, 2008 City, 2009 City and 2011 Canada Census. The 2011 population age distribution continues to reflect the information from the 2009 City Census.
2. Updated figures for 2010 and 2011 household median total income are not yet available. The amounts shown continue to reflect the 2009 data.
3. Positions are stated in full time equivalents.

Statistical Review for the Years 2007 to 2011
Assessment and Tax Levy

Unaudited (in thousands of dollars, except per capita)

	2011	2010	2009	2008	2007
Assessment:					
Total taxable assessment	**$130,942,608**	$121,312,731	$132,072,265	$130,528,323	$ 79,636,231
Percentage of total assessment represented by:					
Residential properties	**75.3**	73.7	75.1	80.7	77.8
Commercial properties	**24.7**	26.3	24.9	19.3	22.2
Taxable assessment per capita	**$ 161,219**	$ 155,044	$ 168,796	$ 173,480	$ 109,035
Assessment for principal taxpayers (%) (Note 1)	**4.2**	4.7	4.6	3.4	4.1
Rates of taxation (mills):					
Single family residences	**7.12**	4.73	6.20	5.46	8.33
Other residential property	**7.82**	5.44	6.80	5.99	9.11
Commercial and industrial	**17.37**	12.47	13.16	14.68	17.25
Tax levy, collections, and arrears:					
Current year's levy:					
Property	**$ 1,277,865**	$ 1,164,619	$ 1,062,115	$ 958,935	$ 837,189
Business	**2,740**	35,814	65,002	89,054	107,489
Collections:					
Property	**$ 1,278,956**	$ 1,159,849	$ 1,056,580	$ 952,373	$ 835,374
Business	**2,887**	36,627	65,123	88,739	107,878
Arrears at December 31 (net):					
Property	**$ 40,998**	$ 46,199	$ 36,716	$ 30,575	$ 26,714
Business	**12**	86	765	1,251	1,200
Percentage of current property taxes collected	**97.8**	97.5	98.1	97.7	97.5
Percentage of net property tax arrears collected	**63.5**	65.8	47.2	58.9	79.6
Property tax arrears per capita (gross)	**$ 56.25**	$ 60.07	$ 47.85	$ 41.32	$ 42.20
Property tax arrears per capita (net)	**50.48**	59.04	46.93	40.64	36.58
Property tax levy per capita	**1,573.34**	1,488.45	1,357.44	1,274.48	1,146.25
Education requisitions	**$ 352,300**	$ 334,922	$ 314,899	$ 289,916	$ 282,802

Source: The City of Edmonton Sustainable Development Department.

Note:
1. Includes the ten highest taxpayers by assessment value.

Statistical Review for the Years 2007 to 2011
Investment Funds

Unaudited (in thousands of dollars)

	2011	2010	2009	2008	2007
Investment funds (Note 1)					
The Balanced Fund					
Net assets – market value	$ 464,594	$ 519,648	$ 548,118	$ 472,897	$ 499,751
Net assets – cost	478,786	500,628	538,234	504,027	503,056
Net earnings	53,150	37,265	9,127	820	33,828
Fund rate (%)	10.6	6.9	1.8	0.2	7.2
Market (%)	4.6	9.0	10.9	(5.3)	2.7
Ed Tel Endowment Fund					
Net assets – market value	$ 590,566	$ 626,626	$ 589,938	$ 541,021	$ 698,820
Net assets – cost	652,398	591,113	570,932	616,228	689,927
Net earnings (losses)	87,084	44,879	(10,304)	(29,700)	66,981
Fund rate (%)	13.3	7.6	(1.8)	(4.8)	9.7
Market (%)	(1.2)	10.9	16.1	(16.0)	2.0
Sanitary Servicing Strategy Fund (Note 2)					
Net assets – market value	$	$	$	$	$ 10,618
Net assets – cost					10,618
Net earnings				384	491
Fund rate (%)					4.6
Market (%)					3.0
The Sinking Fund					
Net assets – market value	$ 249,531	$ 299,750	$ 347,060	$ 493,040	$ 611,656
Net assets – cost	240,111	292,977	337,690	477,467	605,470
Net earnings:					
Required	12,519	16,917	20,564	22,459	25,933
(Deficiency) excess	(1,726)	(238)	(3,487)	3,628	(226)
Total	10,793	16,679	17,077	26,087	25,707
Fund rate (%)	4.5	5.7	5.1	5.5	4.2
Market (%)	5.8	4.3	2.2	7.2	3.9

Source: The City of Edmonton Financial Services.

Notes:

1. This schedule summarizes significant investment funds maintained by the City of Edmonton.
   a) Net earnings (losses) are realized earnings (losses) of the fund as calculated in accordance with Canadian public sector accounting standards.
   b) Fund rate is the rate expressed as the earnings for the year over the weighted average of total assets employed.
   c) Market return is based on the time-weighted method, in accordance with industry standards.
2. The Sanitary Servicing Strategy Fund was established on July 29, 2005 and wound up as a separate investment fund on December 1, 2008.

Statistical Review for the Years 2007 to 2011
Long-Term Debt

Unaudited (in thousands of dollars, except per capita)

	2011	2010	2009	2008 (Note 1)	2007 (Note 1)
Debenture borrowing					
Self-liquidating	$ 90,037	$ 80,992	$ 220,782	$ 87,231	$ 55,594
Tax-supported	119,832	315,799	389,084	234,443	191,163
	209,869	396,791	609,866	321,674	246,757
Debt limit per regulation	$ 4,079,000	$ 3,679,534	$ 3,243,406	$ 3,003,628	$ 3,157,284
Total debt limit used	1,973,819	1,840,233	1,508,719	1,043,438	761,402
Percentage used (%)	48.39	50.01	46.52	34.74	24.12
Debt service limit per regulation	713,825	643,918	567,596	525,635	552,525
Total debt service limit used	185,104	172,625	138,671	103,124	77,595
Percentage used (%)	25.93	26.81	24.43	19.62	14.04
General government debt service	104,821	90,069	67,449	54,853	38,278
General government debt service as a percentage of general government operating expenses	5.7	5.3	4.2	3.4	3.2
Long-term debt (gross)					
Self-liquidating	$ 1,123,797	$ 1,149,471	$ 1,182,933	$ 1,131,095	$ 1,221,789
Tax-supported	1,265,870	1,189,758	910,677	547,718	329,543
Long-term debt (net of EPCOR and Sinking Fund)					
Self-liquidating	$ 707,949	$ 650,475	$ 598,042	$ 495,720	$ 431,842
Tax-supported	1,265,870	1,189,758	910,677	547,718	329,543
Net debt per capita					
Self-liquidating	$ 872	$ 831	$ 764	$ 659	$ 591
Tax-supported	1,559	1,521	1,164	728	451
	$ 2,431	$ 2,352	$ 1,928	$ 1,387	$ 1,042
Percentage of net debt to be retired					
Within 5 years	25.9	25.0	22.4	30.1	35.2
Within 10 years	50.4	49.1	47.9	57.4	63.8

Source: The City of Edmonton Financial Services.

Note:

1. The debt limit and debt service limit for years subsequent to 2008 reflect the consolidation of Non-Profit Housing Corporation. The information for years prior to 2009 has not been restated.

Statistical Review for the Years 2007 to 2011
Consolidated Expenses

Unaudited (in thousands of dollars)

Operating Expenses by Function

	2011	2010	2009	2008 (Note 1)	2007 (Note 1)
Transportation services	**$ 689,910**	$ 624,577	$ 569,337	$ 547,944	$ 322,683
Protective services	**500,866**	475,772	430,217	433,190	379,313
Community services	**393,312**	337,774	304,337	298,088	246,532
Utility and enterprise services	**312,866**	289,484	257,867	186,597	107,414
Corporate administration, general municipal and other	**281,382**	288,764	312,440	269,304	170,168
Waste management (Note 2)				86,470	66,402
	$ 2,178,336	$ 2,016,371	$ 1,874,198	$ 1,821,593	$ 1,292,512

Operating Expenses by Object

	2011	2010	2009 (Note 1)	2008	2007
Salaries, wages and benefits	**$ 1,149,531**	$ 1,079,964	$ 996,550	$ 934,463	$ 836,612
Materials, goods and utilities	**281,703**	226,324	220,984	240,840	175,893
Contracted and general services	**206,292**	209,861	201,943	206,733	205,400
Interest and bank charges	**90,377**	81,748	65,743	47,578	37,363
Grants and other	**76,655**	80,002	90,141	71,359	37,244
Amortization of tangible capital assets	**359,254**	328,943	295,006	277,317	
Loss on disposal/replacement of tangible capital assets	**14,524**	9,529	3,831	43,303	
	$ 2,178,336	$ 2,016,371	$ 1,874,198	$ 1,821,593	$ 1,292,512

Source: The City of Edmonton Financial Services.

Notes:

1. Expenses for years subsequent to 2008 reflect the consolidation of Non-Profit Housing Corporation. The information for years prior to 2009 has not been restated.
2. Waste management expenses have been included in the utility and enterprise service figure effective January 1, 2009 as a result of a business model change to a full utility.

Statistical Review for the Years 2007 to 2011
Consolidated Revenue and Capital Financing

Unaudited (in thousands of dollars)

Revenues – consolidated

	2011	2010	2009	2008 (Note 1)	2007 (Note 1)
Net taxes for municipal purposes	**$ 963,307**	$ 897,048	$ 837,766	$ 780,399	$ 683,746
User fees and sale of goods and services	**545,391**	495,883	458,814	461,843	468,188
Investment earnings (loss)	**157,951**	98,129	9,784	(11,509)	116,658
Subsidiary operations	**143,656**	132,955	119,555	176,290	313,110
Franchise fees	**114,805**	103,266	95,283	76,116	68,599
Government transfers – operating	**113,148**	118,618	107,500	83,096	58,950
Licences and permits	**50,041**	40,777	33,599	41,132	44,517
Fines and penalties	**48,610**	51,820	45,403	44,122	39,675
Developer and customer contributions – operating	**454**	149	5	409	665
Revenues before capital	**2,137,363**	1,938,645	1,707,709	1,651,898	1,794,108
Government transfers – capital	**487,155**	389,776	469,928	428,794	346,632
Developer and customer contributions – capital	**167,402**	173,358	274,623	218,038	97,644
	$ 2,791,920	$ 2,501,779	$ 2,452,260	$ 2,298,730	$ 2,238,384

Capital Additions by Financing Source (Note 2)

	2011	2010	2009	2008 (Note 1)	2007 (Note 1)
Capital Additions	**$ 1,177,337**	$ 1,151,622	$ 1,380,864	$ 1,356,751	$ 870,770
Financing Sources Applied:					
Pay-As-You-Go	**131,965**	97,509	95,352	116,580	99,558
Debenture borrowing	**230,168**	276,038	465,804	418,247	211,122
Government transfers – Federal	**34,272**	33,116	10,825	13,546	35,245
Government transfers – Provincial	**452,883**	356,660	459,103	415,248	310,664
Developer/partnership	**159,552**	170,977	286,838	219,674	110,598
Reserves/user fees/other	**168,497**	217,322	62,942	173,456	103,583
	$ 1,177,337	$ 1,151,622	$ 1,380,864	$ 1,356,751	$ 870,770

Source: The City of Edmonton Financial Services.

Notes:

1. Revenues and capital additions for years subsequent to 2008 reflect the consolidation of Non-Profit Housing Corporation. Information for 2007 and 2008 has not been restated.
2. Capital additions for years subsequent to 2007 reflect the revised financial reporting model and PS 3150 – *Tangible Capital Assets*. Information for 2007 has not been restated.

Statistical Review for the Years 2007 to 2011
Financial Position, Annual Surplus and Reserves

Unaudited (in thousands of dollars)

Financial Position and Annual Changes to Accumulated Surplus

	2011	2010	2009	2008	2007 (Note 1)
Financial assets	$ 4,228,282	$ 4,382,260	$ 4,356,584	$ 4,257,624	
Liabilities	2,799,012	2,641,128	2,301,741	1,931,822	
Net financial assets	1,429,270	1,741,132	2,054,843	2,325,802	
Non-financial assets	9,446,295	8,640,012	7,842,995	7,010,679	
Accumulated surplus – ending	$ 10,875,565	$ 10,381,144	$ 9,897,838	$ 9,336,481	
Annual Excess of revenues over expenses	$ 613,584	$ 485,408	$ 578,062	(Note 1)	
Other changes to Accumulated surplus	$ (119,163)	$ (2,102)	$ (16,705)	(Note 1)	

Reserves

	2011	2010	2009	2008	2007
General Government					
Financial Stabilization	$ 91,138	$ 95,267	$ 71,366	$ 85,413	$ 83,953
Financial Stabilization – appropriated	43,931	31,614	43,297	31,823	27,469
Funds in Lieu – residential	20,125	11,420	8,254	15,324	18,248
Current planning	16,448	6,314			
LRT	14,181	10,035	14,924	9,814	4,870
Affordable housing	11,795	14,744	14,782	18,459	15,825
Parkland reserve	8,833	12,070	12,683	12,618	6,590
Natural areas	7,166	6,124	5,058	5,251	4,290
Perpetual care	5,067	4,775	4,041	3,920	3,763
Enterprise portfolio / Commonwealth Stadium	4,385	5,593	7,990	6,752	7,408
Heritage resources	2,920	2,722	2,924	2,896	2,492
Self Insurance – vehicles	2,500	2,500	2,500	2,500	2,500
Tree management	1,914	920	516	887	914
Development incentive	1,814	1,942			
Tax-supported debt	1,628	1,691	1,090	8,731	5,283
Façade & storefront improvements	1,498	859	240	629	913
Aggregate site	1,418	1,183	834	982	1,320
Northlands – capital	1,090	1,078	683	2,069	1,118
Other	676	635	601	1,459	2,286
Neighbourhood renewal		2,586	4,723		
Waste management rate stabilization				18,960	14,670
Benefit plan				6,500	5,661
	238,527	214,072	196,506	234,987	209,573
Fleet Services – vehicle replacement	10,986	953			
Edmonton Economic Development Corporation	1,966	1,879	1,590	1,560	938
Edmonton Public Library Board (Note 3)	1,215	332	743	389	5,154
Non-Profit Housing Corporation (Note 2)	1,017	1,259	1,538	2,030	1,794
	$ 253,711	$ 218,495	$ 200,377	$ 238,966	$ 217,459

Source: The City of Edmonton Financial Services.

Notes:

1. With the implementation of a new financial reporting model effective January 1, 2009, figures for 2008 were restated. Annual surplus for 2008 and information prior to 2008 are unavailable in the current reporting format.
2. Beginning in 2010, Non-Profit Housing Corporation was consolidated within the consolidated financial statements. Prior years reserve information has been restated consistently.
3. During 2009, the Edmonton Public Library Board restated reserve balances for 2008. Balances for 2007 have not been restated.

Related Boards and Authorities

Further information regarding related boards and authorities can be obtained from the following sources:

Edmonton Economic Development Corporation

3rd Floor, World Trade Centre Edmonton
9990 Jasper Avenue
Edmonton, Alberta T5J 1P7

Phone: 780-424-9191
Fax: 780-917-7668

E-mail: info@edmonton.com
Web: www.edmonton.com/eedc-corporate.aspx

Chair: Henry Yip
President and CEO: Ron Gilbertson

Edmonton Police Commission

Suite 171, 10235 101 Street
Edmonton, Alberta T5J 3E9

Phone: 780-414-7510
Fax: 780-414-7511

E-mail: commission@edmontonpolice.ca
Web: www.edmontonpolicecommission.com

Chair: Arlene Yakeley
Chief of Police: Rod Knecht

The City of Edmonton Non-Profit Housing Corporation

11th Floor, HSBC Bank Canada Building
10250 101 Street
Edmonton, Alberta T5J 3P4

Phone: 780-496-6004
Fax: 780-495-9916

Web: www.edmonton.ca

Chair: Bryan Kapitza
Executive Director: Bill Bell

EPCOR Utilities Inc.

EPCOR
2000,10423 101 Street NW
Edmonton, Alberta T5H 0E8

Phone: 780-412-3414
Fax: 780-412-3192

E-mail: corpafrs@epcor.ca
Web: www.epcor.ca

Chair: Hugh Bolton
President and CEO: Donald Lowry

The Edmonton Public Library

7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4

Phone: 780-496-7000
Fax: 780-496-7097

Web: www.epl.ca

Chair: Brent McDonough
CEO: Linda Cook

Information on the City
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www.edmonton.ca

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Edmonton, Alberta, Canada T5J 2C3
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The City of Edmonton

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